

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

Address: 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan
Telephone: 886-2-26525999

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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安侯建業聯合會計師事務所
KPMG

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

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

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 March 31, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows 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 the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China 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 \$165,256 thousand and \$196,272 thousand, constituting 1.73% and 2.12% of consolidated total assets as of March 31, 2023 and 2022, respectively; total liabilities amounting to \$55,490 thousand and \$92,467 thousand, constituting 1.41% and 2.87% of consolidated total liabilities as of March 31, 2023 and 2022, respectively; and total comprehensive income (loss) amounting to \$(11,994) thousand and \$(8,162) thousand, constituting (5.09)% and (2.89)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2023 and 2022, 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 \$455,325 thousand and \$375,740 thousand as of March 31, 2023 and 2022, respectively, and the related share of profit amounting to \$21,320 thousand and \$15,073 thousand for the three 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 March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022, 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 \$876,140 thousand and \$891,103 thousand, constituting 9.16% and 9.61% of consolidated total assets as of March 31, 2023 and 2022, respectively, and the related share of profit of associates accounted for using the equity method amounted to \$14,649 thousand and \$17,476 thousand, constituting 4.99% and 6.08% of consolidated total profit before tax 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)

May 5, 2023

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 Standards on Auditing

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

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

	For the three months ended March 31				
	2023		2022		
	Amount	%	Amount	%	
4000	Operating revenue (notes 6(p) and 7)	\$ 1,166,332	100	1,037,114	100
5000	Operating costs (notes 6(d), (l) and 12)	<u>455,977</u>	<u>39</u>	<u>386,951</u>	<u>37</u>
	Gross profit	710,355	61	650,163	63
5910	Less: Unrealized profit (loss) from sales	6,925	1	11,336	1
5920	Add: Realized profit (loss) from sales	<u>8,544</u>	<u>1</u>	<u>8,161</u>	<u>1</u>
	Gross profit, net	<u>711,974</u>	<u>61</u>	<u>646,988</u>	<u>63</u>
6000	Operating expenses (notes 6(l), (q) and 12):				
6100	Selling expenses	288,928	25	221,368	21
6200	Administrative expenses	112,650	10	104,687	10
6300	Research and development expenses	65,487	5	74,247	7
6450	(Reversal of) expected credit losses (note 6(c))	<u>(490)</u>	<u>-</u>	<u>130</u>	<u>-</u>
	Total operating expenses	<u>466,575</u>	<u>40</u>	<u>400,432</u>	<u>38</u>
	Net operating income	<u>245,399</u>	<u>21</u>	<u>246,556</u>	<u>25</u>
	Non-operating income and expenses (note 6(r)):				
7100	Interest income	16,357	1	1,500	-
7010	Other income	2,704	-	2,707	-
7020	Other gains and losses, net (note 7)	(4)	-	8,404	1
7050	Finance costs, net	(7,083)	-	(4,469)	-
7060	Share of profit of associates accounted for using the equity method, net (note 6(e))	<u>35,969</u>	<u>3</u>	<u>32,549</u>	<u>3</u>
7055	Total non-operating income and expenses	<u>47,943</u>	<u>4</u>	<u>40,691</u>	<u>4</u>
	Profit before tax	293,342	25	287,247	29
7950	Less: Income tax expenses (note 6(m))	<u>58,801</u>	<u>5</u>	<u>59,306</u>	<u>6</u>
	Profit for the period	<u>234,541</u>	<u>20</u>	<u>227,941</u>	<u>23</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	10,233	1	(7,362)	(1)
8320	Share of other comprehensive loss of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	-	-	(1,424)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive loss that will not be reclassified to profit or loss	<u>10,233</u>	<u>1</u>	<u>(8,786)</u>	<u>(1)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation	(9,004)	(1)	63,057	6
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive (loss) income that will be reclassified to profit or loss	<u>(9,004)</u>	<u>(1)</u>	<u>63,057</u>	<u>6</u>
8300	Other comprehensive income (loss)	<u>1,229</u>	<u>-</u>	<u>54,271</u>	<u>5</u>
	Total comprehensive income for the period	<u>\$ 235,770</u>	<u>20</u>	<u>282,212</u>	<u>28</u>
	Profit attributable to:				
8610	Owners of parent	238,680	20	227,507	23
8620	Non-controlling interests	<u>(4,139)</u>	<u>-</u>	<u>434</u>	<u>-</u>
		<u>234,541</u>	<u>20</u>	<u>227,941</u>	<u>23</u>
	Comprehensive income attributable to:				
	Owners of parent	235,469	20	284,847	28
	Non-controlling interests	<u>301</u>	<u>-</u>	<u>(2,635)</u>	<u>-</u>
		<u>\$ 235,770</u>	<u>20</u>	<u>282,212</u>	<u>28</u>
	Earnings per share, net of tax (note 6(o))				
9750	Basic earnings per share	<u>\$ 0.96</u>		<u>0.91</u>	
9850	Diluted earnings per share	<u>\$ 0.96</u>		<u>0.91</u>	

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 three months ended March 31, 2023 and 2022
(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 interest	Total equity attributable to owners of parent		
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	-	-	-	-	227,507	-	-	-	227,507	434	227,941
Other comprehensive income	-	-	-	-	-	62,922	(5,582)	57,340	57,340	(3,069)	54,271
Total comprehensive income	-	-	-	-	227,507	62,922	(5,582)	57,340	284,847	(2,635)	282,212
Balance at March 31, 2022	<u>\$ 2,486,500</u>	<u>311,876</u>	<u>1,198,617</u>	<u>133,709</u>	<u>1,462,730</u>	<u>(153,851)</u>	<u>13,121</u>	<u>(140,730)</u>	<u>5,452,702</u>	<u>596,744</u>	<u>6,049,446</u>
Balance at January 1, 2023	\$ 2,486,500	312,180	1,278,935	198,071	1,447,515	(83,359)	18,582	(64,777)	5,658,424	574,857	6,233,281
Net income	-	-	-	-	238,680	-	-	-	238,680	(4,139)	234,541
Other comprehensive income	-	-	-	-	-	(8,990)	5,779	(3,211)	(3,211)	4,440	1,229
Total comprehensive income	-	-	-	-	238,680	(8,990)	5,779	(3,211)	235,469	301	235,770
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	110,292	-	(110,292)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(845,410)	-	-	-	(845,410)	-	(845,410)
Other changes in capital surplus:											
Changes in equity of investments accounted for using the equity method	-	239	-	-	-	-	-	-	239	-	239
Other changes in capital surplus	-	109	-	-	-	-	-	-	109	-	109
Changes in ownership interests in subsidiaries	-	43	-	-	-	-	-	-	43	33	76
Balance at March 31, 2023	<u>\$ 2,486,500</u>	<u>312,571</u>	<u>1,389,227</u>	<u>198,071</u>	<u>730,493</u>	<u>(92,349)</u>	<u>24,361</u>	<u>(67,988)</u>	<u>5,048,874</u>	<u>575,191</u>	<u>5,624,065</u>

See accompanying notes to financial statements.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	For the three months ended March 31	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 293,342	287,247
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	38,360	39,485
Amortization expenses	11,623	5,538
(Reversal of) expected credit losses	(490)	130
Interest expenses	7,083	4,469
Interest income	(16,357)	(1,500)
Shares of profit of investments accounted for using the equity method	(35,969)	(32,549)
Losses (gain) on disposal of property, plant and equipment	23	(43)
Unrealized profit from sales	6,925	11,336
Realized profit from sales	(8,544)	(8,161)
Total adjustments to reconcile profit (loss)	<u>2,654</u>	<u>18,705</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(5,399)	(4,764)
Accounts receivable	128,724	127,121
Other receivables	4,783	(966)
Inventories	10,968	(40,028)
Prepayments and other current assets	(10,896)	(11,606)
Total changes in operating assets	<u>128,180</u>	<u>69,757</u>
Changes in operating liabilities:		
Contract liabilities	1,368	5,368
Notes payable	(18,762)	(11,541)
Accounts payable	1,193	(1,766)
Other payable	(151,230)	(87,744)
Other current liabilities	822	35,694
Net defined benefit liability	(37,712)	(828)
Total changes in operating liabilities	<u>(204,321)</u>	<u>(60,817)</u>
Total changes in operating assets and liabilities	<u>(76,141)</u>	<u>8,940</u>
Total adjustments	<u>(73,487)</u>	<u>27,645</u>
Cash inflow generated from operations	219,855	314,892
Interest received	17,220	1,359
Dividends received	-	7,617
Interest paid	(6,864)	(4,748)
Income taxes paid	(5,750)	(1,043)
Net cash flows from operating activities	<u>224,461</u>	<u>318,077</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(6,329)	(12,633)
Proceeds from disposal of property, plant and equipment	6,960	114
Decrease in refundable deposits paid	4,944	7,851
Acquisition of intangible assets	(178)	(7,019)
(Increase) decrease in other financial assets	(6,378)	9,895
Increase in prepayments for business facilities	(4,437)	(5,252)
Decrease (increase) in other non-current assets	504	(5,846)
Net cash flows used in investing activities	<u>(4,914)</u>	<u>(12,890)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,750,000	1,350,000
Decrease in short-term loans	(1,870,000)	(1,652,000)
Repayments of long-term borrowings	(4,671)	(3,296)
Increase in guarantee deposits received	-	69
Payment of lease liabilities	(1,420)	(2,023)
Dividends unclaimed by shareholders	185	-
Net cash flows used in financing activities	<u>(125,906)</u>	<u>(307,250)</u>
Effect of exchange rate changes on cash and cash equivalents	(9,331)	48,701
Net increase in cash and cash equivalents	84,310	46,638
Cash and cash equivalents at beginning of period	2,357,324	2,222,253
Cash and cash equivalents at end of period	<u>\$ 2,441,634</u>	<u>2,268,891</u>

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

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

(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 May 5, 2023.

(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. 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, 2023:

- 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”

(Continued)

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

- (b) 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”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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”

(Continued)

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

- 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 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 IFRSs, IASs, 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.

Except for the following accounting policies, the significant policies adopted in the consolidated financial statements are consistent with Note 4 in the consolidated financial statement for the year ended December 31, 2022.

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
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)
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Selling medicine	100.00 %	100.00 %	100.00 %	
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 %	

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
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)
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00 %	100.00 %	100.00 %	(Note)
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	100.00 %	100.00 %	100.00 %	(Note)

(Note) 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) 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.

(d) 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.

(Continued)

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

(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, 2022. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Cash on hand	\$ 3,016	3,411	2,642
Cash in banks	1,059,718	914,093	1,021,249
Time deposits	<u>1,378,900</u>	<u>1,439,820</u>	<u>1,245,000</u>
Total	<u>\$ 2,441,634</u>	<u>2,357,324</u>	<u>2,268,891</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 non-current, please refer to Note 6(i).
- (iii) Please refer to Note 6(s) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(b) Financial asset at fair value through other comprehensive income-current and non-current

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
The equity investments at fair value through other comprehensive income:			
Domestic common stock— Lumosa Therapeutics Co., Ltd.	\$ 54,112	51,811	46,157
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares B	151,250	143,750	157,000
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares C	3,426	3,194	3,483
Domestic preferred stock—Union Bank of Taiwan Preferred Shares A	20,880	20,680	21,360
International unlisted stock—CellMax Ltd.	11,376	11,376	14,771
Domestic unlisted stock—ExoOne Bio. Co., Ltd.	14,562	14,562	-
	<u>\$ 255,606</u>	<u>245,373</u>	<u>242,771</u>

- (i) The Group designated the investments as equity securities at fair value through other comprehensive income because the Group intends to hold the investments for long-term strategic and not for trading 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 for the three months ended March 31, 2023 and 2022.
- (iv) Please refer to Note 6(s) for information on credit and market risk.
- (v) The above financial assets were not pledged as collateral.

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 40,107	34,708	42,424
Accounts receivable	1,041,464	1,182,113	939,206
Accounts receivable-related parties	28,488	16,548	37,139
Less: allowance for expected credit losses	<u>(5,735)</u>	<u>(6,221)</u>	<u>(3,041)</u>
	<u>\$ 1,104,324</u>	<u>1,227,148</u>	<u>1,015,728</u>

The Group applies the simplified approach to evaluating 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 that represent the customer's ability to pay all amounts due under the terms of the contract, and forward-looking information has been incorporated. Analysis of the expected credit losses on note and accounts receivable is as follows:

	March 31, 2023		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not overdue	\$ 1,091,136	0%~1%	1,217
1 to 90 days overdue	14,731	0%~2.32%	326
More than 181 days overdue	<u>4,192</u>	2%~100%	<u>4,192</u>
	<u>\$ 1,110,059</u>		<u>5,735</u>
	December 31, 2022		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not overdue	\$ 1,204,910	0.03%~1%	1,142
1 to 90 days overdue	23,357	0.13%~1.36%	317
More than 181 days overdue	<u>5,102</u>	2%~100%	<u>4,762</u>
	<u>\$ 1,233,369</u>		<u>6,221</u>

(Continued)

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

	March 31, 2022		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not overdue	\$ 1,006,760	0%~50%	1,455
1 to 90 days overdue	8,743	0%~4%	165
91 to 180 days overdue	850	0%~50%	240
More than 181 days overdue	2,416	0%~100%	1,181
	\$ 1,018,769		3,041

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

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ 6,221	2,911
Expected credit losses recognized	-	130
Reversal of expected credit losses	(490)	-
Foreign currency translation losses	4	-
Balance at March 31	\$ 5,735	3,041

As of March 31, 2023, December 31, 2022 and March 31, 2022, the notes receivable and accounts receivable for the Group were not pledged as collateral.

(d) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Merchandise	\$ 220,360	239,756	302,643
Finished goods	169,608	162,491	179,765
Work in process	176,682	250,536	103,315
Raw materials	270,522	256,076	345,463
Materials	64,918	56,818	51,482
Subtotal	902,090	965,677	982,668
Goods in transit	229,587	175,806	125,469
Total	1,131,677	1,141,483	1,108,137
Less: allowance for inventory market decline and obsolescence	(103,442)	(102,383)	(112,925)
Net amount	\$ 1,028,235	1,039,100	995,212

(Continued)

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

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

	For the three months ended March 31,	
	2023	2022
Inventories have been sold	\$ 454,540	384,285
Cost of services	378	1,366
Write-off of inventories from cost to net realizable value and disposal of inventories	1,059	1,300
	\$ 455,977	386,951

- (ii) As of March 31, 2023, December 31, 2022 and March 31, 2022, 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Associates	\$ 1,331,465	1,301,209	1,266,843

- 1) As of March 31, 2023, December 31, 2022 and March 31, 2022, the associate which the Group invested had a quoted market price was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying value	\$ 876,140	861,252	891,103
Fair value	\$ 2,793,615	3,233,351	2,317,666

- 2) For the three month ended March 31, 2023, as PharmaEngine, Inc. amortized the compensation cost of employee stock options and employee stock options expired, the Group's equity has changed and its capital reserve was credit by \$239 thousand. For the three months ended March 31, 2023, the Group's shareholding ratio has not changed.

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

Associate	Nature of relationship	Country of registration	Equity ownership		
			March 31, 2023	December 31, 2022	March 31, 2022
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	18.00 %	18.00 %	18.01 %

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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The following was the summary of financial information about the Group's significant associates, adjusted for the amounts included in the Group's IFRS financial statements to reflect the fair value adjustments made upon acquisition of the shares in the associates and adjustments for differences in accounting policies:

- Summary financial information on PharmaEngine, Inc.

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 4,012,553	3,926,084	4,101,188
Non-current assets	37,772	40,458	14,716
Current liabilities	(82,129)	(78,737)	(80,232)
Non-current liabilities	(13,408)	(15,728)	-
Net assets	<u>\$ 3,954,788</u>	<u>3,872,077</u>	<u>4,035,672</u>
Net assets attributable to investee's owners	<u>\$ 3,954,788</u>	<u>3,872,077</u>	<u>4,035,672</u>

	For the three months ended March 31,	
	2023	2022
Operating revenue	<u>\$ 168,333</u>	<u>174,129</u>
Profit from continuing operations	81,380	97,034
Other comprehensive loss	-	-
Total comprehensive income	<u>\$ 81,380</u>	<u>97,034</u>
Comprehensive income attributable to investee's owners	<u>\$ 81,380</u>	<u>97,034</u>
Net assets attributable to the Group, January 1	\$ 696,974	709,349
Changes in capital surplus of associates	239	-
Comprehensive income attributable to the Group	14,649	17,476
Net assets attributable to the Group, March 31	711,862	726,825
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, March 31	<u>\$ 876,140</u>	<u>891,103</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:

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount of individually insignificant associates	<u>\$ 455,325</u>	<u>439,954</u>	<u>375,740</u>

(Continued)

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

	For the three months ended	
	March 31,	
	2023	2022
Attributable to the Group:		
Profit from continuing operations	\$ 21,320	15,073
Other comprehensive income	563	12,063
Total comprehensive income	\$ 21,883	27,136

(iv) Collateral

As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group did not provide any investment accounted for using equity method as collateral.

(f) Material non-controlling interests of subsidiaries

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

Subsidiary	Country of registration	Ownership and voting rights ratio		
		March 31,	December 31,	March 31,
		2023	2022	2022
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %
EnhanX 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.

	March 31,	December 31,	March 31,
	2023	2022	2022
Current assets	\$ 904,943	907,522	909,895
Non-current assets	248,292	239,811	244,937
Current liabilities	(69,078)	(82,501)	(68,105)
Non-current liabilities	(3,425)	(4,557)	-
Net assets	\$ 1,080,732	1,060,275	1,086,727
Net assets attributable to non-controlling interest	\$ 470,169	461,337	472,814

(Continued)

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

	For the three months ended	
	March 31,	
	2023	2022
Operating revenue	<u>\$ 117,462</u>	<u>120,449</u>
Profit for the period	10,147	19,028
Other comprehensive income (loss)	10,234	(7,359)
Total comprehensive income	<u>\$ 20,381</u>	<u>11,669</u>
Profit attributable to non-controlling interest	<u>\$ 4,346</u>	<u>8,275</u>
Total comprehensive income attributable to non-controlling interest	<u>\$ 8,799</u>	<u>5,073</u>
Cash flows used in operating activities	\$ (11,744)	(1,484)
Cash flows (used in) from investing activities	(10,955)	3,177
Cash flows used in financing activities	(1,114)	(1,137)
Net (decrease) increase in cash	<u>\$ (23,813)</u>	<u>556</u>

(ii) Summary financial information on EnhanX Biopharm Inc.

	March 31,	December 31,	March 31,
	2023	2022	2022
Current assets	\$ 6,706	8,867	19,344
Non-current assets	68,373	70,839	94,722
Current liabilities	(728)	(2,007)	(1,986)
Non-current liabilities	-	-	(120)
Net assets	<u>\$ 74,351</u>	<u>77,699</u>	<u>111,960</u>
Net assets attributable to non-controlling interests	<u>\$ 37,176</u>	<u>38,850</u>	<u>55,980</u>

	For the three months ended	
	March 31,	
	2023	2022
Operating revenue	<u>\$ -</u>	<u>-</u>
Loss for the period	(3,366)	(5,962)
Other comprehensive income	18	33
Total comprehensive loss	<u>\$ (3,348)</u>	<u>(5,929)</u>
Loss attributable to non-controlling interest	<u>\$ (1,683)</u>	<u>(2,981)</u>
Total comprehensive loss attributable to non-controlling interest	<u>\$ (1,674)</u>	<u>(2,965)</u>
Cash flows used in operating activities	\$ (2,118)	(4,449)
Net decrease in cash	<u>\$ (2,118)</u>	<u>(4,449)</u>

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 156,226	235,384	176,988
Non-current assets	55,901	58,573	72,028
Current liabilities	(60,331)	(122,999)	(97,934)
Non-current liabilities	(6,911)	(12,400)	(7,078)
Net assets	<u>\$ 144,885</u>	<u>158,558</u>	<u>144,004</u>
Net assets attributable to non-controlling interests	<u>\$ 68,183</u>	<u>74,618</u>	<u>67,768</u>

	For the three months ended March 31,	
	2023	2022
Operating revenue	<u>\$ 27,396</u>	<u>32,129</u>
Loss for the period	(13,685)	(10,156)
Other comprehensive income	12	92
Total comprehensive loss	<u>\$ (13,673)</u>	<u>(10,064)</u>
Loss attributable to non-controlling interest	<u>\$ (6,440)</u>	<u>(4,779)</u>
Total comprehensive loss attributable to non-controlling interest	<u>\$ (6,435)</u>	<u>(4,736)</u>
Cash flows from (used in) operating activities	\$ 10,012	(24,037)
Cash flows (used in) from investing activities	(26)	151
Cash flows used in financing activities	(24,671)	(3,296)
Effect of exchange rates changes on cash and cash equivalents	12	88
Net decrease in cash	<u>\$ (14,673)</u>	<u>(27,094)</u>

(g) Property, plant and equipment

The details of the property, plant and equipment of the Group for the three months ended March 31, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying value:								
Balance on January 1, 2023	\$ 902,897	921,263	371,609	-	139,181	14,407	77,086	2,426,443
Balance on March 31, 2023	\$ 902,897	915,455	360,165	-	129,692	10,084	72,342	2,390,635
Balance on January 1, 2022	\$ 902,897	966,351	367,737	425	147,308	17,674	95,000	2,497,392
Balance on March 31, 2022	\$ 902,897	950,511	356,951	258	141,651	20,056	101,846	2,474,170

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(i) There were no significant additions, disposal, or recognition and reversal of impairment losses of Property, plant and equipment for the three months ended March 31, 2023 and 2022. Information on depreciation for the period is discussed in note 12(a). Please refer to note 6(g) to the 2022 annual consolidated financial statements for other related information.

(ii) Collateral

As of March 31, 2023, December 31, 2022 and March 31, 2022, the property, plant and equipment were not pledged as collateral.

(iii) Property, plant and equipment under construction

As of the reporting date, the Group's plant under construction has incurred expenditures amounting to \$72,342 thousand, and there were no capitalized loan cost for the three months ended March 31, 2023 and 2022.

(h) Intangible assets

	Computer software	Patent and franchise	Others Intangible assets	Total
Carrying amount:				
Balance on January 1, 2023	\$ <u>18,649</u>	<u>162,016</u>	<u>70,084</u>	<u>250,749</u>
Balance on March 31, 2023	\$ <u>17,926</u>	<u>156,135</u>	<u>65,532</u>	<u>239,593</u>
Balance on January 1, 2022	\$ <u>14,002</u>	<u>110,902</u>	<u>-</u>	<u>124,904</u>
Balance on March 31, 2022	\$ <u>12,976</u>	<u>113,409</u>	<u>-</u>	<u>126,385</u>

(i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2023 and 2022. Information on amortization for the periods is discussed in Note 12(a). Please refer to Note 6(i) of the 2022 annual consolidated financial statements for other related information.

(ii) As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group's the aforementioned intangible assets were not pledged as collateral.

(i) Other financial assets and other assets

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

	March 31, 2023	December 31, 2022	March 31, 2022
Other current financial assets	\$ 281,728	275,053	303,577
Other non-current financial assets	150,496	150,793	157,552
Long-term prepayments	10,840	10,840	85,517
Other current and non-current assets	<u>21,630</u>	<u>12,367</u>	<u>11,381</u>
	<u>\$ 464,694</u>	<u>449,053</u>	<u>558,027</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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- (i) Other current 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 relevant unrecognized contractual commitments.
- (iii) Please refer to Note 8 for the Group's information of collateral.
- (j) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Secured bank loans	\$ -	20,000	59,070
Unsecured bank loans	1,250,000	1,350,000	1,350,000
	<u>\$ 1,250,000</u>	<u>1,370,000</u>	<u>1,409,070</u>
Unused credit line	<u>\$ 1,789,068</u>	<u>1,689,068</u>	<u>941,518</u>
Range of interest rates	<u>1.25%~1.78%</u>	<u>1.28%~2.675%</u>	<u>0.73%~2%</u>

- (i) For the three months ended March 31, 2023 and 2022, the Group had the additional short-term borrowings amounting to \$1,750,000 thousand with an interest rate of 1.25%~1.78% and \$1,350,000 thousand with an interest rate of 0.79%~1.05%, respectively; the repayment amounted to \$1,870,000 thousand and \$1,652,000 thousand, respectively. Please refer to Note 6(r) for disclosure of interest expense.
- (ii) Please refer to Note 6(s) for the exposure information of the Group's interest rate and liquidity risk.
- (iii) Please refer to Note 8 for the collateral for short-term borrowings.
- (k) Long-term borrowings

The long-term borrowings were summarized as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Secured bank loans	\$ 23,777	28,447	8,755
Unsecured bank loans	400,000	400,000	400,000
Less: Current portion	(418,965)	(418,852)	(406,158)
Total	<u>\$ 4,812</u>	<u>9,595</u>	<u>2,597</u>
Unused long-term credit line	<u>\$ 300,000</u>	<u>300,000</u>	<u>100,000</u>
Range of interest rates	<u>1.98%~2.50%</u>	<u>1.8488%~2.25%</u>	<u>0.991%~1.945%</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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There were no significant issues, repurchases and repayments of long-term borrowings for the three months ended March 31, 2023 and 2022. Please refer to Note 6(r) for related disclosure of interest expense, Note 6(s) for related risk exposure information and Note 8 for the collateral for long-term borrowings.

(l) 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, 2022 and 2021. The Group estimated the balance of labor pension special account in accordance with the provisions of the Labor Standards Act, and made a one-off contribution of \$37,000 before March 31, 2023.

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

	For the three months ended	
	March 31,	
	2023	2022
Operating cost	\$ 39	33
Selling expenses	30	29
Administrative expenses	30	34
Research and development expenses	39	31
Total	\$ 138	127

(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	
	March 31,	
	2023	2022
Operating cost	\$ 3,205	2,999
Selling expenses	3,788	3,457
Administrative expenses	1,911	1,920
Research and development expenses	1,406	1,783
Total	\$ 10,310	10,159

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(m) Income Tax

(i) Income tax expense

The components of income tax for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
Current tax expense		
Current period	\$ 58,801	59,306
Income tax expense from continuing operations	\$ 58,801	59,306

(ii) Assessment of tax

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

(n) Capital and other equity

There was no significant change in capital and other equity for the three months ended March 31, 2023 and 2022. For the related information, please refer to Note 6(o) of the consolidated financial statements for the year ended December 31, 2022.

(i) Capital surplus

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

	March 31, 2023	December 31, 2022	March 31, 2022
Share capital	\$ 484	484	484
Long-term investment	311,175	310,893	310,682
Other	912	803	710
	\$ 312,571	312,180	311,876

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.

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

(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.

The Company distributes dividends and bonuses or all or part of the statutory surplus reserve and capital reserve in cash by authorizing the Board of Directors to do so with the presence of at least two-thirds of the directors and with the consent of a majority of the directors present, and report to the shareholders' meeting.

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.

2) Special reserve

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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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 March 31, 2023, December 31, 2022 and March 31, 2022, the special reserve amounted to \$198,071 thousand, \$198,071 thousand and \$133,709 thousand, respectively.

3) Earnings distribution

Earnings distribution for 2022 and 2021 was resolved in the special resolution of the Board of Directors and the general meeting of shareholders on March 14, 2023 and May 26, 2022, respectively. The appropriation for dividends to ordinary shareholders is as follows:

	<u>2022</u>		<u>2021</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	\$ 3.40	<u>845,410</u>	3.00	<u>745,950</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, 2023	\$ (83,359)	18,582	(64,777)
Exchange differences on foreign operations	(8,990)	-	(8,990)
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	5,779	5,779
Balance at March 31, 2023	<u>\$ (92,349)</u>	<u>24,361</u>	<u>(67,988)</u>

(Continued)

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, 2022	\$ (216,773)	18,703	(198,070)
Exchange differences on foreign operations	62,922	-	62,922
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(4,158)	(4,158)
Unrealized losses from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	(1,424)	(1,424)
Balance at March 31, 2022	<u>\$ (153,851)</u>	<u>13,121</u>	<u>(140,730)</u>

(iv) Non-controlling interests

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ 574,857	599,379
Attributable to non-controlling interests:		
(Losses) profit for the period	(4,139)	434
Exchange differences on translation in foreign operations	(14)	135
Unrealized gains (losses) on financial assets	4,454	(3,204)
Changes in ownership interest in subsidiaries	33	-
Balance at March 31	<u>\$ 575,191</u>	<u>596,744</u>

(o) Earnings per share

For the three months ended March 31, 2023 and 2022, the Company's earnings per share were calculated as follows:

	For the three months ended March 31,	
	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 238,680</u>	<u>227,507</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
	<u>\$ 0.96</u>	<u>0.91</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the three months ended March 31,	
	2023	2022
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company \$ (diluted)	238,680	227,507
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	333	346
Weighted average number of ordinary shares (diluted)	248,983	248,996
	\$ 0.96	0.91

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2023						Total
	Oncology Business Unit	Intensive Care Business Unit	HealthCare Business Unit	Export and CDMO Business Unit	Other Business Unit	Re-investment Business Unit	
Primary geographical markets:							
Taiwan	\$ 558,152	253,344	48,420	45,857	650	142,103	1,048,526
Other countries	-	-	-	113,844	1,092	2,870	117,806
	\$ 558,152	253,344	48,420	159,701	1,742	144,973	1,166,332
Major products/services lines:							
Medicine and functional food	\$ 558,152	253,344	48,099	159,701	-	140,131	1,159,427
Services	-	-	321	-	1,742	4,842	6,905
	\$ 558,152	253,344	48,420	159,701	1,742	144,973	1,166,332

	For the three months ended March 31, 2022						Total
	Oncology Business Unit	Intensive Care Business Unit	HealthCare Business Unit	Export and CDMO Business Unit	Other Business Unit	Re-investment Business Unit	
Primary geographical markets:							
Taiwan	\$ 541,949	200,918	41,370	32,466	500	150,069	967,272
Other countries	-	-	-	67,082	-	2,760	69,842
	\$ 541,949	200,918	41,370	99,548	500	152,829	1,037,114
Major products/services lines:							
Medicine and functional food	\$ 541,949	200,918	41,359	98,814	-	148,460	1,031,500
Services	-	-	11	734	500	4,369	5,614
	\$ 541,949	200,918	41,370	99,548	500	152,829	1,037,114

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Contract liability	\$ 34,495	\$ 33,126	45,137

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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For details on accounts receivable and allowance for expected credit losses, please refer to Note 6(c).

The amount of revenue recognized for the three months ended March 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$1,887 thousand and \$193 thousand, respectively.

(q) 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 ended March 31, 2023 and 2022, the Company accrued and recognized its employee remuneration amounting to \$5,896 thousand and \$5,799 thousand, respectively, as well as its remuneration to directors amounting to \$3,737 thousand and \$3,738 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, 2022 and 2021, the Company accrued and recognized its employee compensation amounting to \$24,328 thousand and \$23,195 thousand, respectively, 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.

(r) Non-operating income and expenses

(i) Interest income

The details of total interest income for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended	
	March 31,	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 16,357</u>	<u>1,500</u>

(ii) Other income

The details of other income for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended	
	March 31,	
	<u>2023</u>	<u>2022</u>
Rent revenue	<u>\$ 2,704</u>	<u>2,707</u>

(Continued)

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

(iii) Other gains and losses

The details of other gains and losses for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
(Losses) gains on disposal of property, plant and equipment	\$ (23)	43
Foreign exchange (losses) gains	(4,137)	4,961
Other gains and losses	4,156	3,400
	\$ (4)	8,404

(iv) Finance costs

The details of finance costs for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
Interest expense	\$ 7,012	4,399
Other finance costs	71	70
	\$ 7,083	4,469

(s) 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, 2022.

(i) Credit risk of receivables

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

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, 2022.

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(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 value</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
March 31, 2023					
Non-derivative financial liabilities					
Bank loans	\$ 1,673,777	1,679,673	1,674,842	4,831	-
Non-interest-bearing liabilities (including related parties)	1,674,564	1,674,564	1,599,764	74,800	-
Lease liabilities (current and non-current)	11,048	11,236	5,101	6,135	-
Guarantee deposits received	2,431	2,431	2,431	-	-
	<u>\$ 3,361,820</u>	<u>3,367,904</u>	<u>3,282,138</u>	<u>85,766</u>	<u>-</u>
December 31, 2022					
Non-derivative financial liabilities					
Bank loans	\$ 1,798,447	1,808,401	1,798,739	9,662	-
Non-interest-bearing liabilities (including related parties)	997,307	997,307	908,707	88,600	-
Lease liabilities (current and non-current)	6,959	7,050	3,950	3,100	-
Guarantee deposits received	2,431	2,431	2,431	-	-
	<u>\$ 2,805,144</u>	<u>2,815,189</u>	<u>2,713,827</u>	<u>101,362</u>	<u>-</u>
March 31, 2022					
Non-derivative financial liabilities					
Bank loans	\$ 1,817,825	1,821,669	1,819,021	2,648	-
Non-interest-bearing liabilities (including related parties)	752,571	752,571	622,571	110,400	19,600
Lease liabilities (current and non-current)	19,834	20,109	7,608	9,533	2,968
Guarantee deposits received	2,504	2,504	2,504	-	-
	<u>\$ 2,592,734</u>	<u>2,596,853</u>	<u>2,451,704</u>	<u>122,581</u>	<u>22,568</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:

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 10,611	30.4500	323,099	8,433	30.7100	258,978	10,717	28.6250	306,784
CNY	2,430	4.4310	10,766	2,382	4.4080	10,500	2,475	4.5060	11,153
JPY	147,752	0.2288	33,806	185,734	0.2324	43,165	148,107	0.2353	34,850
EUR	427	33.1500	14,145	312	32.7200	10,206	200	31.9200	6,399
<u>Non-monetary items</u>									
USD	48,563	30.4500	1,478,757	48,213	30.7100	1,480,633	47,461	28.6250	1,358,559
CNY	47,911	4.4310	212,294	48,604	4.4080	214,245	47,211	4.5060	212,734
THB	410,967	0.8973	368,761	394,733	0.8941	352,931	359,813	0.8651	311,274
EUR	42	33.1500	1,386	43	32.7200	1,420	55	31.9200	1,750
TRY	6,550	1.5870	10,395	6,528	1.6410	10,712	6,398	1.9540	12,502

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 and EUR as of March 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$3,055 thousand and \$2,873 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 three months ended March 31, 2023 and 2022, the foreign exchange gains (losses) (including realized and unrealized portions) amounted to loss \$4,137 thousand and gain \$4,961 thousand, respectively.

(iv) Interest rate analysis

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

The 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 \$720 thousand and \$660 thousand for the three months ended March 31, 2023 and 2022, respectively with all other variable factors remaining constant.

(v) Other market price risk

For the three months ended March 31, 2023 and 2022, 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 three months ended March 31,			
	2023		2022	
	Other Comprehensive income after tax	Net income	Other Comprehensive income after tax	Net income
Increasing 10%	\$ 25,561	-	24,277	-
Decreasing 10%	\$ (25,561)	-	(24,277)	-

(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:

	Carrying Value	March 31, 2023			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 175,556	175,556	-	-	175,556
Domestic stock in listed company at Taipei Exchange	54,112	54,112	-	-	54,112
Domestic unlisted stock	14,562	-	-	14,562	14,562
International stock	11,376	-	-	11,376	11,376
Subtotal	255,606	229,668	-	25,938	255,606

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	Carrying Value	March 31, 2022			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,268,891	-	-	-	-
Notes and accounts receivable (including related party)	1,015,728	-	-	-	-
Other receivables (including related party)	14,936	-	-	-	-
Other financial assets	461,129	-	-	-	-
Refundable deposits paid	<u>25,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>3,786,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,029,442</u>	<u>228,000</u>	<u>-</u>	<u>14,771</u>	<u>242,771</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,817,825	-	-	-	-
Notes and accounts payable (including related party)	188,184	-	-	-	-
Other payables (including related party)	434,387	-	-	-	-
Lease liabilities (current and non- current)	19,834	-	-	-	-
Guarantee deposit received	2,504	-	-	-	-
Other non-current liabilities	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,592,734</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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3) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions 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.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the three months ended March 31, 2023 and 2022, so there was no transfer between levels.

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6) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2023	\$ 25,938
Balance at March 31, 2023	\$ 25,938
Balance at January 1, 2022	\$ 14,771
Balance at March 31, 2022	\$ 14,771

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	Comparable companies method	<ul style="list-style-type: none"> •Discount for lack of market liquidity (On March 31, 2023, December 31, 2022 and March 31, 2022 were 27.3%~30%, 27.3%~30%and 28.52%, respectively) •Expected volatility (On March 31, 2023, December 31, 2022 and March 31, 2022 were 58.78%, 58.78% and 60.84%, respectively) 	<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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- 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>
March 31, 2023				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	314	(314)
	Expected volatility	1%	39	(39)
December 31, 2022				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	314	(314)
	Expected volatility	1%	39	(39)
March 31, 2022				
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)

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.

- (t) 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, 2022.

- (u) 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, 2022. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2022 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
Gligio International Limited (Gligio)	An associate
PharmaEngine, Inc.	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:

	For the three months ended March 31,	
	<u>2023</u>	<u>2022</u>
Associates	\$ 30,314	36,127
Other related parties	98	134
	<u>\$ 30,412</u>	<u>36,261</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>	For the three months ended March 31,	
		<u>2023</u>	<u>2022</u>
Other gains	Associates-ATB	\$ 3,100	3,044

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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	Associates	\$ 28,385	16,426	37,083
	Other related parties	103	122	56
		<u>\$ 28,488</u>	<u>16,548</u>	<u>37,139</u>
Other receivables	Associate-Gligio	\$ 8,134	-	-
	Associates-ATB	3,611	3,669	3,169
		<u>\$ 11,745</u>	<u>3,669</u>	<u>3,169</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 March 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 16,047	19,342
Post-employment benefits	210	189
	<u>\$ 16,257</u>	<u>19,531</u>

(8) Assets pledged as security:

The carrying amounts of pledged assets were as follows:

<u>Pledged asset</u>	<u>Object</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other financial assets- current and non-current	Bank loan	\$ -	-	21,135
Other financial assets-non- current	Guarantee for provision attachment	149,380	149,380	149,380
		<u>\$ 149,380</u>	<u>149,380</u>	<u>170,515</u>

(Continued)

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

(9) Significant commitments and contingencies:

- (a) The Group's unfinished contracts as of March 31, 2023, December 31, 2022 and March 31, 2022 were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Total price of unfinished contracts</u>			
Purchase of equipment and construction engineering	\$ <u>31,409</u>	<u>40,124</u>	<u>32,600</u>
Acquisition of intangible assets	\$ <u>174,500</u>	<u>160,907</u>	<u>216,096</u>
Research and development service	\$ <u>118,745</u>	<u>114,245</u>	<u>186,076</u>
Purchase of raw materials	\$ <u>102,772</u>	<u>103,016</u>	<u>97,634</u>
<u>Unpaid amount</u>			
Purchase of equipment and construction engineering	\$ <u>15,075</u>	<u>16,660</u>	<u>16,481</u>
Acquisition of intangible assets	\$ <u>154,299</u>	<u>143,424</u>	<u>145,524</u>
Research and development service	\$ <u>43,739</u>	<u>39,739</u>	<u>84,883</u>
Purchase of raw materials	\$ <u>28,547</u>	<u>47,984</u>	<u>71,563</u>

- (b) As of March 31, 2023, December 31, 2022, and March 31, 2022, the financial institutions provided guarantee for the import and sale of medicine, which amounted to \$62,146 thousand, \$62,146 thousand and \$108,807 thousand, respectively.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By item	By function					
	For the three months ended March 31,					
	2023			2022		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 61,641	188,110	249,751	56,670	177,487	234,157
Health and labor insurance	5,872	12,997	18,869	5,400	12,726	18,126
Pension	3,244	7,204	10,448	3,032	7,254	10,286
Others	2,480	12,507	14,987	1,454	13,406	14,860
Depreciation expense	29,487	8,873	38,360	29,126	10,359	39,485
Amortization expense	4,307	7,316	11,623	78	5,460	5,538

(Continued)

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

(b) Others

The Group donated \$32,835 thousand and \$14,478 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the three months ended March 31, 2023 and 2022, respectively.

- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the exchairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act.

According to the verdict rendered by the Taipei District Court on September 1, 2017, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan Supreme Court. On December 23, 2021 the Supreme Court sent it back to the Taiwan High Court for remand. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called "Risperidone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29, 2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.

- (d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress at Cantonal Court of Zug in Switzerland.
- (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 March 31, 2023, the monies incurred from the agreement in dispute in the amount of \$21,456 thousand euros have been deposited into the escrow account by Janssen.

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

- (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 was further remanded to Taiwan High Court, which ruled that the agreement between the Company and CLI for the development of the Risperidone drug did not exist. CLI has filed an appeal to the Supreme Court on December 21, 2022, and the case was referred to the Supreme Court at the end of February 2023.
- (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. The case is still in progress at Labor Court Dresden of Germany.
- (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 on trial at the Taipei High Administrative Court.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on the Group significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the three months ended March 31, 2023:

- (i) Loans to other parties: None
- (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	1,009,775	50,000	50,000	50,000	-	0.99 %	2,524,437	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.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.
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 March 31, 2023 (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	14,562	7.78 %	14,562	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income– current	1,315	54,112	0.81 %	54,112	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	151,250	0.38 %	151,250	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,880	0.20 %	20,880	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	58	3,426	0.02 %	3,426	
"	CellMax Ltd. Common Stock	-	"	1,593	11,376	- %	11,376	

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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital: None
- (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	TTY Biopharm Co., Ltd.	TSH Biopharm Co., Ltd.	1	Accounts receivable	6,450	By contract	0.07%
0	"	"	1	Other receivables	1,744	"	0.02%
0	"	"	1	Sales revenue	21,257	"	1.82%
0	"	"	1	Other income	1,149	"	0.10%
0	"	"	1	Other gains and losses	1,191	"	0.10%
0	"	American Taiwan Biopharma Phils Inc.	1	Other receivables	5,487	"	0.06%
0	"	"	1	Accounts receivable	3,187	"	0.03%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	11,296	"	0.12%
0	"	"	1	Sales revenue	11,737	"	1.01%
0	"	"	1	Other gains and losses	1,621	"	0.14%

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.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 three months ended March 31, 2023 (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 March 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haiyu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,391,834	9,380	9,380	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	210,022	(3,616)	(3,616)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(3,800)	(484)	(421)	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	606,516	10,147	5,640	Subsidiary
									(Note)		
The Company	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	15,487	(3,366)	(701)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	250,951	16,646	49.05 %	21,917	(13,685)	(6,713)	Subsidiary
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Turkey	Selling chemical medicine	13,863	13,863	240	100.00 %	10,395	36	36	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.00 %	876,140	81,380	14,649	Investments accounted for using equity method
The Company	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	368,761	31,931	12,772	Investments accounted for using equity method
The Company	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	86,923	21,371	8,548	Investments accounted for using equity method
Xudong Haiyu International Co., Ltd.	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	33,080	(3,366)	(982)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	1,695	(2,487)	(2,487)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00 %	8,741	(4,570)	(2,285)	Subsidiary

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00 %	8,741	(4,570)	(2,285)	Subsidiary
EnhancX Biopharm Inc.	EnhancX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	1,386	(52)	(52)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89 %	5,636	(13,685)	(532)	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 %	2,308	(103)	(103)	Subsidiary

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

(c) Information on investment in Mainland China:

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

(In Thousands)

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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	52,729	(2)	89,196	-	-	89,196	189	100 %	189	50,847	-
		CNY 11,900		CNY 20,130			CNY 20,130	CNY 43		CNY 43	CNY 11,475	
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	15,225	(2)	15,225	-	-	15,225	(103)	100 %	(103)	2,272	-
		USD 500		USD 500			USD 500	CNY (23)		CNY (23)	CNY 513	

The exchange rate of USD to NTD as of the reporting date was 1:30.4500, and the average exchange rate of USD to NTD for the reporting period was 1:30.3650.

The exchange rate of CNY to NTD as of the reporting date was 1:4.4310, and the average exchange rate of CNY to NTD for the reporting period was 1:4.4172.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 104,421	NTD 1,438,093 (USD 47,228)	NTD 3,029,324

(iii) Significant transactions: None

(d) Major shareholders:

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

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

(14) Segment information:

(a) General information

The Group's operating segments required to be disclosed are categorized as Oncology Business Unit, Intensive Care Business Unit, Healthcare Business Unit, Export and CDMO Business Unit, and Re-investment Business Unit, etc. The Group has other operating segments that are below the quantitative criteria located in the Logistics business Unit.

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

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

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

<u>For the three months ended March 31, 2023</u>	<u>Oncology Business Unit</u>	<u>Intensive Care Business Unit</u>	<u>Healthcare Business Unit</u>	<u>Export and CDMO Business Unit</u>	<u>Other Business Unit</u>	<u>Re-investment Business Unit</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:								
Revenue from external customers	\$ 558,152	253,344	48,420	159,701	1,742	144,973	-	1,166,332
Intersegment revenues	-	-	11,737	21,257	-	596	(33,590)	-
Total revenue	<u>\$ 558,152</u>	<u>253,344</u>	<u>60,157</u>	<u>180,958</u>	<u>1,742</u>	<u>145,569</u>	<u>(33,590)</u>	<u>1,166,332</u>
Reportable segment profit or loss	<u>\$ 259,430</u>	<u>99,649</u>	<u>35,989</u>	<u>4,621</u>	<u>(105,345)</u>	<u>(380)</u>	<u>(622)</u>	<u>293,342</u>
Reportable segment Assets	<u>\$ 1,233,206</u>	<u>369,367</u>	<u>549,853</u>	<u>1,643,954</u>	<u>5,087,547</u>	<u>3,056,049</u>	<u>(2,374,239)</u>	<u>9,565,737</u>
For the three months ended March 31, 2022								
Revenue:								
Revenue from external customers	\$ 541,949	200,918	41,370	99,548	500	152,829	-	1,037,114
Intersegment revenues	-	-	11,765	19,850	-	564	(32,179)	-
Total revenue	<u>\$ 541,949</u>	<u>200,918</u>	<u>53,135</u>	<u>119,398</u>	<u>500</u>	<u>153,393</u>	<u>(32,179)</u>	<u>1,037,114</u>
Reportable segment profit or loss	<u>\$ 293,804</u>	<u>65,724</u>	<u>28,813</u>	<u>(1,793)</u>	<u>(105,463)</u>	<u>(941)</u>	<u>7,103</u>	<u>287,247</u>
Reportable segment Assets	<u>\$ 1,235,194</u>	<u>318,283</u>	<u>475,312</u>	<u>1,706,848</u>	<u>4,785,412</u>	<u>3,030,334</u>	<u>(2,281,845)</u>	<u>9,269,538</u>