

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of TTY Biopharm Company Limited:

Introduction

We have reviewed the accompanying consolidated balance sheets of TTY Biopharm Company Limited and its subsidiaries as of June 30, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and six months ended June 30, 2023 and 2022, 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 6(e), the investments accounted for using the equity method of TTY Biopharm Company Limited and its subsidiaries amounting to \$446,069 thousand and \$394,836 thousand as of June 30, 2023 and 2022, respectively, and the related share of profit amounting to \$17,139 thousand, \$17,192 thousand, \$38,459 thousand and \$32,265 thousand for the three months and six 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 June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, and its consolidated cash flows for the six months ended June 30, 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 \$838,137 thousand and \$835,804 thousand, constituting 8.70% and 8.90% of consolidated total assets as of June 30, 2023 and 2022, respectively, and the related share of profit of associates accounted for using the equity method amounted to \$13,520 thousand, \$14,529 thousand, \$28,169 thousand and \$32,005 thousand, constituting 3.44%, 4.14%, 4.10% and 5.01% of consolidated total profit before tax for the three months and six months ended June 30, 2023 and 2022, 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)
August 10, 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)
TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months and six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Share)

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | | |
|------|---|-------------------|-----------|----------------|----------------------------------|------------------|-----------|------------------|-----------|
| | 2023 | | 2022 | | 2023 | | 2022 | | |
| | Amount | % | Amount | % | Amount | % | Amount | % | |
| 4000 | Operating revenue (notes 6(p) and 7) | | | | | | | | |
| | \$ | 1,261,563 | 100 | 1,165,518 | 100 | 2,427,895 | 100 | 2,202,632 | 100 |
| 5000 | Operating costs (notes 6(d), (l) and 12) | | | | | | | | |
| | | 502,090 | 40 | 448,863 | 38 | 958,067 | 39 | 835,814 | 38 |
| | | 759,473 | 60 | 716,655 | 62 | 1,469,828 | 61 | 1,366,818 | 62 |
| 5910 | Less: Unrealized profit (loss) from sales | | | | | | | | |
| | | 4,300 | - | (3,466) | - | 11,225 | - | 7,870 | - |
| 5920 | Add: Realized profit (loss) from sales | | | | | | | | |
| | | - | - | - | - | 8,544 | - | 8,161 | - |
| | | 755,173 | 60 | 720,121 | 62 | 1,467,147 | 61 | 1,367,109 | 62 |
| 6000 | Operating expenses (notes 6(l), (q) and 12): | | | | | | | | |
| 6100 | Selling expenses | | | | | | | | |
| | | 259,015 | 20 | 222,308 | 19 | 547,943 | 23 | 443,676 | 20 |
| 6200 | Administrative expenses | | | | | | | | |
| | | 100,638 | 8 | 101,485 | 9 | 213,288 | 9 | 206,172 | 9 |
| 6300 | Research and development expenses | | | | | | | | |
| | | 62,939 | 5 | 95,711 | 8 | 128,426 | 5 | 169,958 | 8 |
| 6450 | (Reversal of) expected credit losses (note 6(c)) | | | | | | | | |
| | | (1,402) | - | 2,894 | - | (1,892) | - | 3,024 | - |
| | | 421,190 | 33 | 422,398 | 36 | 887,765 | 37 | 822,830 | 37 |
| | Net operating income | | | | | | | | |
| | | 333,983 | 27 | 297,723 | 26 | 579,382 | 24 | 544,279 | 25 |
| | Non-operating income and expenses (note 6(r)): | | | | | | | | |
| 7100 | Interest income | | | | | | | | |
| | | 21,769 | 2 | 4,202 | - | 38,126 | 2 | 5,702 | - |
| 7010 | Other income | | | | | | | | |
| | | 2,686 | - | 2,684 | - | 5,390 | - | 5,391 | - |
| 7020 | Other gains and losses, net (note 7) | | | | | | | | |
| | | 13,646 | 1 | 19,476 | 1 | 13,642 | 1 | 27,880 | 1 |
| 7050 | Finance costs, net | | | | | | | | |
| | | (9,355) | (1) | (4,779) | - | (16,438) | (1) | (9,248) | - |
| 7060 | Share of profit of associates accounted for using the equity method, net (note 6(e)) | | | | | | | | |
| | | 30,659 | 2 | 31,721 | 3 | 66,628 | 3 | 64,270 | 3 |
| 7055 | Total non-operating income and expenses | | | | | | | | |
| | | 59,405 | 4 | 53,304 | 4 | 107,348 | 5 | 93,995 | 4 |
| | Profit before tax | | | | | | | | |
| | | 393,388 | 31 | 351,027 | 30 | 686,730 | 29 | 638,274 | 29 |
| 7950 | Less: Income tax expenses (note 6(m)) | | | | | | | | |
| | | 81,593 | 6 | 68,108 | 6 | 140,394 | 6 | 127,414 | 6 |
| | Profit for the period | | | | | | | | |
| | | 311,795 | 25 | 282,919 | 24 | 546,336 | 23 | 510,860 | 23 |
| 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 | | | | | | | | |
| | | 24,692 | 2 | (715) | - | 34,925 | 1 | (8,077) | - |
| 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 | | | | | | | | |
| | | (5,519) | - | 2,678 | - | (5,519) | - | 1,254 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | |
| | | - | - | - | - | - | - | - | - |
| | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | | | | | |
| | | 19,173 | 2 | 1,963 | - | 29,406 | 1 | (6,823) | - |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | |
| 8361 | Exchange differences on translation | | | | | | | | |
| | | 18,510 | 1 | 39,557 | 4 | 9,506 | - | 102,614 | 5 |
| 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 | | | | | | | | |
| | | 18,510 | 1 | 39,557 | 4 | 9,506 | - | 102,614 | 5 |
| 8300 | Other comprehensive income | | | | | | | | |
| | | 37,683 | 3 | 41,520 | 4 | 38,912 | 1 | 95,791 | 5 |
| | Total comprehensive income for the period | | | | | | | | |
| | | \$ 349,478 | 28 | 324,439 | 28 | 585,248 | 24 | 606,651 | 28 |
| | Profit attributable to: | | | | | | | | |
| 8610 | Owners of parent | | | | | | | | |
| | | 308,694 | 25 | 284,162 | 24 | 547,374 | 23 | 511,669 | 23 |
| 8620 | Non-controlling interests | | | | | | | | |
| | | 3,101 | - | (1,243) | - | (1,038) | - | (809) | - |
| | | \$ 311,795 | 25 | 282,919 | 24 | 546,336 | 23 | 510,860 | 23 |
| | Comprehensive income attributable to: | | | | | | | | |
| | Owners of parent | | | | | | | | |
| | | 335,663 | 27 | 326,016 | 28 | 571,132 | 24 | 610,863 | 28 |
| | Non-controlling interests | | | | | | | | |
| | | 13,815 | 1 | (1,577) | - | 14,116 | - | (4,212) | - |
| | | \$ 349,478 | 28 | 324,439 | 28 | 585,248 | 24 | 606,651 | 28 |
| | Earnings per share, net of tax (note 6(o)) | | | | | | | | |
| 9750 | Basic earnings per share | | | | | | | | |
| | | \$ 1.24 | | 1.14 | | 2.20 | | 2.06 | |
| 9850 | Diluted earnings per share | | | | | | | | |
| | | \$ 1.24 | | 1.14 | | 2.20 | | 2.06 | |

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the six months ended June 30, 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 | Total equity |
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total other equity interest | Total equity attributable to owners of parent | | | |
| Balance 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 | - | - | - | - | 511,669 | - | - | - | 511,669 | (809) | 510,860 | |
| Other comprehensive income | - | - | - | - | - | 102,501 | (3,307) | 99,194 | 99,194 | (3,403) | 95,791 | |
| Total comprehensive income | - | - | - | - | 511,669 | 102,501 | (3,307) | 99,194 | 610,863 | (4,212) | 606,651 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 80,318 | - | (80,318) | - | - | - | - | - | - | |
| Special reserve appropriated | - | - | - | 64,362 | (64,362) | - | - | - | - | - | - | |
| Cash dividends of ordinary share | - | - | - | - | (745,949) | - | - | - | (745,949) | - | (745,949) | |
| Other changes in capital surplus: | | | | | | | | | | | | |
| Changes in equity of investments accounted for using the equity method | - | 13 | - | - | - | - | - | - | 13 | - | 13 | |
| Other changes in capital surplus | - | 93 | - | - | - | - | - | - | 93 | - | 93 | |
| Changes in ownership interests in subsidiaries | - | 42 | - | - | - | - | - | - | 42 | 32 | 74 | |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | (25,066) | (25,066) | |
| Balance at June 30, 2022 | \$ 2,486,500 | 312,024 | 1,278,935 | 198,071 | 856,263 | (114,272) | 15,396 | (98,876) | 5,032,917 | 570,133 | 5,603,050 | |
| 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 | - | - | - | - | 547,374 | - | - | - | 547,374 | (1,038) | 546,336 | |
| Other comprehensive income | - | - | - | - | - | 9,551 | 14,207 | 23,758 | 23,758 | 15,154 | 38,912 | |
| Total comprehensive income | - | - | - | - | 547,374 | 9,551 | 14,207 | 23,758 | 571,132 | 14,116 | 585,248 | |
| 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 | - | 449 | - | - | - | - | - | - | 449 | - | 449 | |
| Other changes in capital surplus | - | 109 | - | - | - | - | - | - | 109 | - | 109 | |
| Changes in ownership interests in subsidiaries | - | 43 | - | - | - | - | - | - | 43 | 33 | 76 | |
| Disposal of investments in equity instruments measured at fair value through other comprehensive income | - | - | - | - | 3,245 | - | (3,245) | (3,245) | - | - | - | |
| Distribution of dividend by subsidiaries to non-controlling interests | - | - | - | - | - | - | - | - | - | (26,738) | (26,738) | |
| Balance at June 30, 2023 | \$ 2,486,500 | 312,781 | 1,389,227 | 198,071 | 1,042,432 | (73,808) | 29,544 | (44,264) | 5,384,747 | 562,268 | 5,947,015 | |

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

| | For the six months ended June 30 | |
|---|---|------------------|
| | 2023 | 2022 |
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 686,730 | 638,274 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expenses | 76,987 | 79,120 |
| Amortization expenses | 27,623 | 11,179 |
| (Reversal of) expected credit losses | (1,892) | 3,024 |
| Interest expenses | 16,438 | 9,248 |
| Interest income | (38,126) | (5,702) |
| Dividend income | - | (960) |
| Shares of profit of investments accounted for using the equity method | (66,628) | (64,270) |
| Losses (gain) on disposal of property, plant and equipment | 54 | (43) |
| Unrealized profit from sales | 11,225 | 7,870 |
| Realized profit from sales | (8,544) | (8,161) |
| Gain from lease modification | - | (12) |
| Other | - | 275 |
| Total adjustments to reconcile profit | 17,137 | 31,568 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Notes receivable | 1,448 | 3,025 |
| Accounts receivable | 131,759 | 66,614 |
| Other receivables | 1,566 | (7,596) |
| Inventories | (9,811) | 6,446 |
| Prepayments and other current assets | (11,184) | (13,227) |
| Total changes in operating assets | 113,778 | 55,262 |
| Changes in operating liabilities: | | |
| Contract liabilities | 4,983 | (1,496) |
| Notes payable | (34,154) | (28,812) |
| Accounts payable | (12,667) | (39,779) |
| Other payable | (194,126) | (78,095) |
| Other current liabilities | (8,049) | 25,649 |
| Net defined benefit liability | (38,310) | (1,644) |
| Total changes in operating liabilities | (282,323) | (124,177) |
| Total changes in operating assets and liabilities | (168,545) | (68,915) |
| Total adjustments | (151,408) | (37,347) |
| Cash inflow generated from operations | 535,322 | 600,927 |
| Interest received | 44,298 | 3,616 |
| Dividends received | 20,283 | 7,617 |
| Interest paid | (16,104) | (9,647) |
| Income taxes paid | (139,081) | (140,850) |
| Net cash flows from operating activities | 444,718 | 461,663 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | (10,500) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 7,740 | - |
| Acquisition of property, plant and equipment | (17,738) | (25,692) |
| Proceeds from disposal of property, plant and equipment | 7,013 | 114 |
| Decrease in refundable deposits paid | 3,752 | 9,348 |
| Acquisition of intangible assets | (9,233) | (9,086) |
| Increase in other financial assets | 159,148 | 30,271 |
| Increase in prepayments for business facilities | (13,146) | (13,414) |
| Increase in other non-current assets | (43,636) | (4,250) |
| Net cash flows used in investing activities | 93,900 | (23,209) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 5,350,000 | 3,250,000 |
| Decrease in short-term loans | (4,770,000) | (3,611,070) |
| Repayments of long-term borrowings | (9,367) | (12,051) |
| Increase in guarantee deposits received | - | 69 |
| Payment of lease liabilities | (2,841) | (3,905) |
| Cash dividends paid | (845,410) | - |
| Dividends unclaimed by shareholders | 184 | 167 |
| Net cash flows used in financing activities | (277,434) | (376,790) |
| Effect of exchange rate changes on cash and cash equivalents | 14,203 | 92,626 |
| Net increase in cash and cash equivalents | 275,387 | 154,290 |
| Cash and cash equivalents at beginning of period | 2,357,324 | 2,222,253 |
| Cash and cash equivalents at end of period | \$ 2,632,711 | 2,376,543 |

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 August 10, 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:

| <u>Standards or Interpretations</u> | <u>Content of amendment</u> | <u>Effective date per IASB</u> |
|---|---|--------------------------------|
| 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”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(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 |
|---------------------------------|---|---|---------------|-------------------|---------------|-------|
| | | | June 30, 2023 | December 31, 2022 | June 30, 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 | EnhancX 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 % | |
| 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 % | |

(Continued)

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

| Investor | Subsidiary | Nature of business | Shareholding | | | Notes |
|--------------------------------------|--|---|----------------------|--------------------------|----------------------|--------------|
| | | | June 30, 2023 | December 31, 2022 | June 30, 2022 | |
| Worldco International Co., Ltd. | TTY Biopharm Mexico S.A. de C.V. | Selling medicine | 50.00 % | 50.00 % | 50.00 % | |
| Xudong Haipu International Co., Ltd. | EnhanX Biopharm Inc. | Developing medicine | 29.17 % | 29.17 % | 29.17 % | |
| Xudong Haipu International Co., Ltd. | TTY Biopharm Korea Co., Ltd. | Selling medicine | 100.00 % | 100.00 % | 100.00 % | |
| Xudong Haipu International Co., Ltd. | TTY Biopharm Mexico S.A. de C.V. | Selling medicine | 50.00 % | 50.00 % | 50.00 % | |
| EnhanX Biopharm Inc. | EnhanX Biopharm B.V. | Developing medicine | 100.00 % | 100.00 % | 100.00 % | |
| TSH Biopharm Co., Ltd. | Chuang Yi Biotech Co., Ltd. | Selling functional food | 3.89 % | 3.89 % | 3.89 % | |
| Chuang Yi Biotech Co., Ltd. | Immortal Fame Global Ltd. | Import and export trading and investment activities | 100.00 % | 100.00 % | 100.00 % | |
| Immortal Fame Global Ltd. | Chuang Yi (Shanghai) Trading Co., Ltd. | Selling functional food | 100.00 % | 100.00 % | 100.00 % | |

(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.

(Continued)

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

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.

(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

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---------------|--------------------------|------------------------------|--------------------------|
| Cash on hand | \$ 3,171 | 3,411 | 2,980 |
| Cash in banks | 990,520 | 914,093 | 1,084,763 |
| Time deposits | <u>1,639,020</u> | <u>1,439,820</u> | <u>1,288,800</u> |
| Total | <u>\$ 2,632,711</u> | <u>2,357,324</u> | <u>2,376,543</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.

(Continued)

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

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

| | <u>June 30,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> | <u>June 30,</u> <u>2022</u> |
|---|--------------------------------|------------------------------------|--------------------------------|
| The equity investments at fair value through other comprehensive income: | | | |
| Domestic common stock – Lumosa Therapeutics Co., Ltd. | \$ 72,457 | 51,811 | 47,998 |
| Domestic preferred stock – Fubon Financial Holding Co., Ltd. Preferred Shares B | 149,750 | 143,750 | 155,250 |
| Domestic preferred stock – Fubon Financial Holding Co., Ltd. Preferred Shares C | 3,333 | 3,194 | 3,438 |
| Domestic preferred stock – Union Bank of Taiwan Preferred Shares A | 21,080 | 20,680 | 20,600 |
| International unlisted stock – CellMax Ltd. | 11,376 | 11,376 | 14,771 |
| Domestic unlisted stock – ExoOne Bio. Co., Ltd. | 14,562 | 14,562 | 10,500 |
| | <u>\$ 272,558</u> | <u>245,373</u> | <u>252,557</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) The Group sold its shares amounting to \$7,740 thousand resulting in a gain on disposal of \$5,745 thousand, of which attributable to the Group amounting \$3,245 thousand for the six months ended June 30, 2023. The gain on disposal of strategic investments has already been reclassified from other comprehensive income to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the six months ended June 30, 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.

(Continued)

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

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

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|----------------------------|------------------------------|--------------------------|
| Notes receivable | \$ 33,261 | 34,708 | 34,636 |
| Accounts receivable | 1,029,041 | 1,182,113 | 1,023,404 |
| Accounts receivable-related parties | 37,863 | 16,548 | 13,493 |
| Less: allowance for expected credit losses | <u>(4,334)</u> | <u>(6,221)</u> | <u>(5,935)</u> |
| | <u>\$ 1,095,831</u> | <u>1,227,148</u> | <u>1,065,598</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:

| | June 30, 2023 | | |
|----------------------------|---|---|---|
| | Face value of notes receivable and accounts receivable | Weighted average loss rate | Allowance for expected credit losses |
| Not overdue | \$ 1,091,301 | 0.03%~1% | 1,091 |
| 1 to 90 days overdue | 5,743 | 1%~5.7% | 320 |
| 91 to 180 days overdue | 31 | 0%~1% | - |
| More than 181 days overdue | <u>3,090</u> | 90%~100% | <u>2,923</u> |
| | <u>\$ 1,100,165</u> | | <u>4,334</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

| | June 30, 2022 | | |
|----------------------------|---|---|---|
| | Face value of notes receivable and accounts receivable | Weighted average loss rate | Allowance for expected credit losses |
| Not overdue | \$ 1,044,999 | 0%~2% | 1,868 |
| 1 to 90 days overdue | 19,552 | 0%~15% | 569 |
| 91 to 180 days overdue | 3,732 | 0%~50% | 1,384 |
| More than 181 days overdue | 3,250 | 0%~100% | 2,114 |
| | \$ 1,071,533 | | 5,935 |

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

| | For the six months ended June 30, | |
|---|--|--------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ 6,221 | 2,911 |
| Expected credit losses recognized | - | 3,024 |
| Reversal of expected credit losses | (1,892) | - |
| Effect of changes in foreign exchange rates | 5 | - |
| Balance at June 30 | \$ 4,334 | 5,935 |

As of June 30, 2023, December 31, 2022 and June 30, 2022, the notes receivable and accounts receivable for the Group were not pledged as collateral.

(d) Inventories

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|--------------------------|------------------------------|--------------------------|
| Merchandise | \$ 282,786 | 239,756 | 258,341 |
| Finished goods | 149,059 | 162,491 | 163,314 |
| Work in process | 273,325 | 250,536 | 155,382 |
| Raw materials | 277,973 | 256,076 | 324,287 |
| Materials | 75,626 | 56,818 | 47,148 |
| Subtotal | 1,058,769 | 965,677 | 948,472 |
| Goods in transit | 93,800 | 175,806 | 124,795 |
| Total | 1,152,569 | 1,141,483 | 1,073,267 |
| Less: allowance for inventory market decline and obsolescence | (103,542) | (102,383) | (124,567) |
| Net amount | \$ 1,049,027 | 1,039,100 | 948,700 |

(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 June 30, | | For the six months ended June 30, | |
|---|--|----------------|--------------------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Inventories have been sold | \$ 484,649 | 433,866 | 939,189 | 818,151 |
| Cost of services | 377 | 1,023 | 755 | 2,389 |
| Write-off of inventories from cost to net realizable value and disposal of inventories | 17,064 | 13,974 | 18,123 | 15,274 |
| | <u>\$ 502,090</u> | <u>448,863</u> | <u>958,067</u> | <u>835,814</u> |

- (ii) As of June 30, 2023, December 31, 2022 and June 30, 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:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|------------|---------------------|----------------------|------------------|
| Associates | <u>\$ 1,284,206</u> | <u>1,301,209</u> | <u>1,230,640</u> |

- 1) As of June 30, 2023, December 31, 2022 and June 30, 2022, the associate which the Group invested had a quoted market price was as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|----------------|---------------------|----------------------|------------------|
| Carrying value | <u>\$ 838,137</u> | <u>861,252</u> | <u>835,804</u> |
| Fair value | <u>\$ 2,522,014</u> | <u>3,233,351</u> | <u>2,278,866</u> |

- 2) For the six month ended June 30, 2023 and 2022, 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 \$449 thousand and \$13 thousand, respectively. For the six months ended June 30, 2023 and 2022, 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 | | |
|--------------------|--|----------------------------|------------------|----------------------|------------------|
| | | | June 30, 2023 | December 31, 2022 | June 30, 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
Notes to the Consolidated Financial Statements

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.

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|--------------------------|------------------------------|--------------------------|
| Current assets | \$ 4,142,865 | 3,926,084 | 4,194,309 |
| Non-current assets | 35,044 | 40,458 | 12,677 |
| Current liabilities | (421,612) | (78,737) | (478,355) |
| Non-current liabilities | (12,637) | (15,728) | - |
| Net assets | <u>\$ 3,743,660</u> | <u>3,872,077</u> | <u>3,728,631</u> |
| Net assets attributable to investee's owners | <u>\$ 3,743,660</u> | <u>3,872,077</u> | <u>3,728,631</u> |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|----------------|--|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Operating revenue | <u>\$ 166,070</u> | <u>166,899</u> | <u>334,403</u> | <u>341,028</u> |
| Profit from continuing operations | \$ 75,116 | 80,670 | 156,496 | 177,704 |
| Other comprehensive loss | - | - | - | - |
| Total comprehensive income | <u>\$ 75,116</u> | <u>80,670</u> | <u>156,496</u> | <u>177,704</u> |
| Comprehensive income attributable to investee's owners | <u>\$ 75,116</u> | <u>80,670</u> | <u>156,496</u> | <u>177,704</u> |

| | For the six months ended June 30, | |
|--|--|----------------|
| | 2023 | 2022 |
| Net assets attributable to the Group, January 1 | \$ 696,974 | 709,349 |
| Changes in capital surplus of associates | 449 | 13 |
| Comprehensive income attributable to the Group | 28,169 | 32,005 |
| Cash dividends received from associates | (51,733) | (69,841) |
| Net assets attributable to the Group, June 30 | 673,859 | 671,526 |
| Add: Goodwill | 164,278 | 164,278 |
| Carrying amount of interest in associates, June 30 | <u>\$ 838,137</u> | <u>835,804</u> |

(Continued)

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

(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:

| | <u>June 30,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> | <u>June 30,</u> <u>2022</u> |
|--|--------------------------------|------------------------------------|--------------------------------|
| Carrying amount of individually insignificant associates | \$ <u>446,069</u> | <u>439,954</u> | <u>394,836</u> |

| | <u>For the three months ended</u> <u>June 30,</u> | | <u>For the six months ended</u> <u>June 30,</u> | |
|-----------------------------------|--|---------------|--|---------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Attributable to the Group: | | | | |
| Profit from continuing operations | \$ 17,139 | 17,192 | 38,459 | 32,265 |
| Other comprehensive (loss) income | (9,946) | (1,562) | (9,383) | 10,501 |
| Total comprehensive income | \$ <u>7,193</u> | <u>15,630</u> | <u>29,076</u> | <u>42,766</u> |

(iv) Collateral

As of June 30, 2023, December 31, 2022 and June 30, 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:

| <u>Subsidiary</u> | <u>Country of registration</u> | <u>Ownership and voting rights ratio</u> | | |
|-----------------------------|--------------------------------|--|------------------------------------|--------------------------------|
| | | <u>June 30,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> | <u>June 30,</u> <u>2022</u> |
| TSH Biopharm Co., Ltd. | Taiwan | 56.48 % | 56.48 % | 56.48 % |
| EnhancX Biopharm Inc. | Taiwan | 50.00 % | 50.00 % | 50.00 % |
| Chuang Yi Biotech Co., Ltd. | Taiwan | 52.94 % | 52.94 % | 52.94 % |

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

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

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

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---|--------------------------|------------------------------|--------------------------|
| Current assets | \$ 959,349 | 907,522 | 927,712 |
| Non-current assets | 249,951 | 239,811 | 241,526 |
| Current liabilities | (145,007) | (82,501) | (124,832) |
| Non-current liabilities | (2,287) | (4,557) | - |
| Net assets | <u>\$ 1,062,006</u> | <u>1,060,275</u> | <u>1,044,406</u> |
| Net assets attributable to non-controlling interest | <u>\$ 461,960</u> | <u>461,337</u> | <u>454,454</u> |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Operating revenue | <u>\$ 126,703</u> | <u>109,619</u> | <u>244,165</u> | <u>230,068</u> |
| Profit for the period | \$ 18,023 | 15,920 | 28,170 | 34,948 |
| Other comprehensive income (loss) | 24,688 | (717) | 34,922 | (8,076) |
| Total comprehensive income | <u>\$ 42,711</u> | <u>15,203</u> | <u>63,092</u> | <u>26,872</u> |
| Profit attributable to non-controlling interest | <u>\$ 7,784</u> | <u>6,986</u> | <u>12,130</u> | <u>15,261</u> |
| Total comprehensive income attributable to non-controlling interest | <u>\$ 18,529</u> | <u>6,674</u> | <u>27,328</u> | <u>11,747</u> |

| | For the six months ended June 30, | |
|--|--|---------------|
| | 2023 | 2022 |
| Cash flows from operating activities | \$ 25,542 | 33,617 |
| Cash flows from (used in) investing activities | 156,055 | (527) |
| Cash flows used in financing activities | (2,234) | (2,277) |
| Net increase in cash | <u>\$ 179,363</u> | <u>30,813</u> |

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

(ii) Summary financial information on EnhanX Biopharm Inc.

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|--------------------------|------------------------------|--------------------------|
| Current assets | \$ 5,697 | 8,867 | 15,106 |
| Non-current assets | 65,907 | 70,839 | 92,256 |
| Current liabilities | (487) | (2,007) | (2,001) |
| Non-current liabilities | - | - | (120) |
| Net assets | <u>\$ 71,117</u> | <u>77,699</u> | <u>105,241</u> |
| Net assets attributable to non-controlling interests | <u>\$ 35,559</u> | <u>38,850</u> | <u>52,621</u> |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Operating revenue | \$ - | - | - | - |
| Loss for the period | \$ (3,261) | (6,672) | (6,627) | (12,634) |
| Other comprehensive income (loss) | 27 | (47) | 45 | (14) |
| Total comprehensive loss | <u>\$ (3,234)</u> | <u>(6,719)</u> | <u>(6,582)</u> | <u>(12,648)</u> |
| Loss attributable to non-controlling interest | <u>\$ (1,631)</u> | <u>(3,336)</u> | <u>(3,314)</u> | <u>(6,317)</u> |
| Total comprehensive loss attributable to non-controlling interest | <u>\$ (1,617)</u> | <u>(3,359)</u> | <u>(3,291)</u> | <u>(6,324)</u> |

| | For the six months ended June 30, | |
|---|--|----------------|
| | 2023 | 2022 |
| Cash flows used in operating activities | \$ (3,086) | (8,438) |
| Net decrease in cash | <u>\$ (3,086)</u> | <u>(8,438)</u> |

(Continued)

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

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

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|--------------------------|------------------------------|--------------------------|
| Current assets | \$ 144,850 | 235,384 | 122,305 |
| Non-current assets | 53,200 | 58,573 | 63,064 |
| Current liabilities | (58,375) | (122,999) | (46,739) |
| Non-current liabilities | (1,390) | (12,400) | (3,848) |
| Net assets | <u>\$ 138,285</u> | <u>158,558</u> | <u>134,782</u> |
| Net assets attributable to non-controlling interests | <u>\$ 65,077</u> | <u>74,618</u> | <u>63,428</u> |

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Operating revenue | <u>\$ 43,576</u> | <u>37,892</u> | <u>70,972</u> | <u>70,021</u> |
| Loss for the period | \$ (6,523) | (9,184) | (20,208) | (19,340) |
| Other comprehensive (loss) income | (77) | (37) | (65) | 55 |
| Total comprehensive loss | <u>\$ (6,600)</u> | <u>(9,221)</u> | <u>(20,273)</u> | <u>(19,285)</u> |
| Loss attributable to non-controlling interest | <u>\$ (3,070)</u> | <u>(4,322)</u> | <u>(9,510)</u> | <u>(9,101)</u> |
| Total comprehensive loss attributable to non-controlling interest | <u>\$ (3,106)</u> | <u>(4,340)</u> | <u>(9,541)</u> | <u>(9,076)</u> |

| | For the six months ended June 30, | |
|---|--|-----------------|
| | 2023 | 2022 |
| Cash flows from (used in) operating activities | \$ 1,341 | (35,946) |
| Cash flows (used in) from investing activities | (27) | 21,467 |
| Cash flows used in financing activities | (30,760) | (74,498) |
| Effect of exchange rates changes on cash and cash equivalents | (49) | 40 |
| Net decrease in cash | <u>\$ (29,495)</u> | <u>(88,937)</u> |

(Continued)

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

(g) Property, plant and equipment

The property, plant and equipment of the Group were summarized as follows:

| Carrying value: | <u>Land</u> | <u>Building and construction</u> | <u>Machinery equipment</u> | <u>Transportation equipment</u> | <u>Office equipment</u> | <u>Other equipment</u> | <u>Construction in progress</u> | <u>Total</u> |
|----------------------------|-------------|--|--------------------------------|-------------------------------------|-----------------------------|----------------------------|-------------------------------------|--------------|
| Balance on January 1, 2023 | \$ 902,897 | 921,263 | 371,609 | - | 139,181 | 14,407 | 77,086 | 2,426,443 |
| Balance on June 30, 2023 | \$ 902,897 | 900,070 | 356,639 | - | 125,723 | 9,494 | 71,158 | 2,365,981 |
| Balance on January 1, 2022 | \$ 902,897 | 966,351 | 367,737 | 425 | 147,308 | 17,674 | 95,000 | 2,497,392 |
| Balance on June 30, 2022 | \$ 902,897 | 945,231 | 346,450 | 129 | 136,538 | 22,021 | 97,683 | 2,450,949 |

(i) There were no significant additions, disposal, or recognition and reversal of impairment losses of Property, plant and equipment for the six months ended June 30, 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 June 30, 2023, December 31, 2022 and June 30, 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 \$71,158 thousand, and there were no capitalized loan cost for the six months ended June 30, 2023 and 2022.

(h) Intangible assets

| Carrying amount: | <u>Computer software</u> | <u>Patent and franchise</u> | <u>Others Intangible assets</u> | <u>Total</u> |
|----------------------------|------------------------------|---------------------------------|---|--------------|
| Balance on January 1, 2023 | \$ 18,649 | 162,016 | 70,084 | 250,749 |
| Balance on June 30, 2023 | \$ 17,585 | 158,323 | 56,740 | 232,648 |
| Balance on January 1, 2022 | \$ 14,002 | 110,902 | - | 124,904 |
| Balance on June 30, 2022 | \$ 15,233 | 109,132 | - | 124,365 |

(i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 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 June 30, 2023, December 31, 2022 and June 30, 2022, the Group's the aforementioned intangible assets were not pledged as collateral.

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

(i) Other financial assets and other assets

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

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|--------------------------------------|--------------------------|------------------------------|--------------------------|
| Other current financial assets | \$ 116,291 | 275,053 | 289,486 |
| Other non-current financial assets | 150,407 | 150,793 | 151,268 |
| Long-term prepayments | 49,146 | 10,840 | 83,921 |
| Other current and non-current assets | <u>31,047</u> | <u>12,367</u> | <u>18,244</u> |
| | <u>\$ 346,891</u> | <u>449,053</u> | <u>542,919</u> |

- (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>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|-------------------------|----------------------------|------------------------------|--------------------------|
| Secured bank loans | \$ - | 20,000 | - |
| Unsecured bank loans | <u>1,950,000</u> | <u>1,350,000</u> | <u>1,350,000</u> |
| | <u>\$ 1,950,000</u> | <u>1,370,000</u> | <u>1,350,000</u> |
| Unused credit line | <u>\$ 873,713</u> | <u>1,689,068</u> | <u>1,145,405</u> |
| Range of interest rates | <u>1.65%~1.778%</u> | <u>1.28%~2.675%</u> | <u>0.84%~1.1%</u> |

- (i) For the six months ended June 30, 2023 and 2022, the Group had the additional short-term borrowings amounting to \$5,350,000 thousand with an interest rate of 1.65%~1.778% and \$3,250,000 thousand with an interest rate of 0.95%~1.10%, respectively; the repayment amounted to \$4,770,000 thousand and \$3,611,070 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 13 for the collateral for the Group's short-term borrowings.

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

(k) Long-term borrowings

The long-term borrowings were summarized as follows:

| | <u>June 30,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> | <u>June 30,</u> <u>2022</u> |
|------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Secured bank loans | \$ 19,080 | 28,447 | - |
| Unsecured bank loans | 400,000 | 400,000 | 400,000 |
| Less: Current portion | <u>(419,080)</u> | <u>(418,852)</u> | <u>(400,000)</u> |
| Total | <u>\$ -</u> | <u>9,595</u> | <u>-</u> |
| Unused long-term credit line | <u>\$ 100,000</u> | <u>300,000</u> | <u>300,000</u> |
| Range of interest rates | <u>1.98%~2.50%</u> | <u>1.8488%~2.25%</u> | <u>1.24%</u> |

There were no significant issues, repurchases and repayments of long-term borrowings for the six months ended June 30, 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 13 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 on March 31, 2023.

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

| | <u>For the three months ended</u> <u>June 30,</u> | | <u>For the six months ended</u> <u>June 30,</u> | |
|-----------------------------------|--|-------------|--|-------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Operating cost | \$ 39 | 34 | 78 | 67 |
| Selling expenses | 30 | 28 | 60 | 57 |
| Administrative expenses | 30 | 34 | 60 | 68 |
| Research and development expenses | <u>39</u> | <u>32</u> | <u>78</u> | <u>63</u> |
| Total | <u>\$ 138</u> | <u>128</u> | <u>276</u> | <u>255</u> |

(Continued)

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

(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 | | For the six months ended | |
|-----------------------------------|-----------------------------------|---------------|---------------------------------|---------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Operating cost | \$ 3,360 | 3,245 | 6,565 | 6,244 |
| Selling expenses | 3,655 | 3,518 | 7,443 | 6,975 |
| Administrative expenses | 1,913 | 1,985 | 3,824 | 3,905 |
| Research and development expenses | 1,417 | 1,763 | 2,823 | 3,546 |
| Total | \$ 10,345 | 10,511 | 20,655 | 20,670 |

(m) Income tax

(i) Income tax expense

The components of income tax for the three months and six months ended June 30, 2023 and 2022 were as follows:

| | For the three months ended | | For the six months ended | |
|---|-----------------------------------|---------------|---------------------------------|----------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Current tax expense | | | | |
| Current period | \$ 81,593 | 67,130 | 140,394 | 126,436 |
| Adjustment for prior periods | - | 978 | - | 978 |
| Income tax expense from continuing operations | \$ 81,593 | 68,108 | 140,394 | 127,414 |

(ii) Assessment of tax

The Company's income tax returns through 2021 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 six months ended June 30, 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.

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

(i) Capital surplus

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

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|----------------------|--------------------------|------------------------------|--------------------------|
| Share capital | \$ 484 | 484 | 484 |
| Long-term investment | 311,385 | 310,893 | 310,737 |
| Other | <u>912</u> | <u>803</u> | <u>803</u> |
| | <u>\$ 312,781</u> | <u>312,180</u> | <u>312,024</u> |

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

(ii) Retained earnings

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

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

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

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".

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 June 30, 2023, December 31, 2022 and June 30, 2022, all of the special reserve amounted to \$198,071 thousand.

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

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 | 9,551 | - | 9,551 |
| Unrealized gain from financial assets measured at fair value through other comprehensive income | - | 19,726 | 19,726 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning | - | (3,245) | (3,245) |
| Unrealized losses from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method | - | (5,519) | (5,519) |
| Balance at June 30, 2023 | <u>\$ (73,808)</u> | <u>29,544</u> | <u>(44,264)</u> |
| Balance at January 1, 2022 | \$ (216,773) | 18,703 | (198,070) |
| Exchange differences on foreign operations | 102,501 | - | 102,501 |
| Unrealized losses from financial assets measured at fair value through other comprehensive income | - | (4,561) | (4,561) |
| Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method | - | 1,254 | 1,254 |
| Balance at June 30, 2022 | <u>\$ (114,272)</u> | <u>15,396</u> | <u>(98,876)</u> |

(Continued)

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

(iv) Non-controlling interests

| | For the six months ended June 30, | |
|---|--|----------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ 574,857 | 599,379 |
| Attributable to non-controlling interests: | | |
| Losses for the period | (1,038) | (809) |
| Exchange differences on translation in foreign operations | (45) | 113 |
| Unrealized gains (losses) on financial assets | 15,199 | (3,516) |
| Cash dividend distributed | (26,738) | (25,066) |
| Changes in ownership interest in subsidiaries | 33 | 32 |
| Balance at June 30 | \$ 562,268 | 570,133 |

(o) Earnings per share

For the six months ended June 30, 2023 and 2022, the Company's earnings per share were calculated as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Basic earnings per share | | | | |
| Profit attributable to ordinary shareholders of the Company | \$ 308,694 | 284,162 | 547,374 | 511,669 |
| Weighted average number of ordinary shares | 248,650 | 248,650 | 248,650 | 248,650 |
| | \$ 1.24 | 1.14 | 2.20 | 2.06 |
| Diluted earnings per share | | | | |
| Profit attributable to ordinary shareholders of the Company (diluted) | \$ 308,694 | 284,162 | 547,374 | 511,669 |
| Weighted average number of ordinary shares | 248,650 | 248,650 | 248,650 | 248,650 |
| Effect of employees' compensation | 75 | 162 | 278 | 292 |
| Weighted average number of ordinary shares (diluted) | 248,725 | 248,812 | 248,928 | 248,942 |
| | \$ 1.24 | 1.14 | 2.20 | 2.06 |

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

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

| | | For the three months ended June 30, 2023 | | | | | | |
|--------------------------------|------------------------------|---|---|-------------------------------------|--|--------------------------------|--|------------------|
| | | Oncology Business Unit | Intensive Care Business Unit | HealthCare Business Unit | Export and CDMO Business Unit | Other Business Unit | Ri-invsrment Business Unit | Total |
| Primary geographical markets: | | | | | | | | |
| | Taiwan | \$ 601,091 | 243,619 | 50,771 | 45,497 | 2,240 | 167,572 | 1,110,790 |
| | Other countries | - | - | - | 131,582 | 15,431 | 3,760 | 150,773 |
| | | \$ 601,091 | 243,619 | 50,771 | 177,079 | 17,671 | 171,332 | 1,261,563 |
| Major products/services lines: | | | | | | | | |
| | Medicine and functional food | \$ 601,091 | 243,619 | 50,391 | 177,079 | - | 164,387 | 1,236,567 |
| | Services | - | - | 380 | - | 10,562 | 6,945 | 17,887 |
| | Royalty | - | - | - | - | 7,109 | - | 7,109 |
| | | \$ 601,091 | 243,619 | 50,771 | 177,079 | 17,671 | 171,332 | 1,261,563 |
| | | For the three months ended June 30, 2022 | | | | | | |
| | | Oncology Business Unit | Intensive Care Business Unit | HealthCare Business Unit | Export and CDMO Business Unit | Other Business Unit | Re-invsrment Business Unit | Total |
| Primary geographical markets: | | | | | | | | |
| | Taiwan | \$ 569,658 | 213,830 | 43,501 | 71,584 | - | 147,097 | 1,045,670 |
| | Other countries | - | - | - | 86,479 | 31,558 | 1,811 | 119,848 |
| | | \$ 569,658 | 213,830 | 43,501 | 158,063 | 31,558 | 148,908 | 1,165,518 |
| Major products/services lines: | | | | | | | | |
| | Medicine and functional food | \$ 569,658 | 213,830 | 43,457 | 155,089 | - | 145,949 | 1,127,983 |
| | Services | - | - | 44 | 2,974 | 7,520 | 2,959 | 13,497 |
| | Royalty | - | - | - | - | 24,038 | - | 24,038 |
| | | \$ 569,658 | 213,830 | 43,501 | 158,063 | 31,558 | 148,908 | 1,165,518 |
| | | For the six months ended June 30, 2023 | | | | | | |
| | | Oncology Business Unit | Intensive Care Business Unit | HealthCare Business Unit | Export and CDMO Business Unit | Other Business Unit | Re-investment Business Unit | Total |
| Primary geographical markets: | | | | | | | | |
| | Taiwan | \$ 1,159,243 | 496,963 | 99,191 | 91,354 | 2,890 | 309,675 | 2,159,316 |
| | Other countries | - | - | - | 245,426 | 16,523 | 6,630 | 268,579 |
| | | \$ 1,159,243 | 496,963 | 99,191 | 336,780 | 19,413 | 316,305 | 2,427,895 |
| Major products/services lines: | | | | | | | | |
| | Medicine and functional food | \$ 1,159,243 | 496,963 | 98,490 | 336,780 | - | 304,518 | 2,395,994 |
| | Services | - | - | 701 | - | 12,304 | 11,787 | 24,792 |
| | Royalty | - | - | - | - | 7,109 | - | 7,109 |
| | | \$ 1,159,243 | 496,963 | 99,191 | 336,780 | 19,413 | 316,305 | 2,427,895 |

(Continued)

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

| For the six months ended June 30, 2022 | | | | | | | |
|--|---------------------------|---------------------------------|-----------------------------|-------------------------------------|------------------------|--------------------------------|------------------|
| | Oncology Business Unit | Intensive Care Business Unit | HealthCare Business Unit | Export and CDMO Business Unit | Other Business Unit | Re-investment Business Unit | Total |
| Primary geographical markets: | | | | | | | |
| Taiwan | \$ 1,111,607 | 414,748 | 84,871 | 104,050 | 500 | 297,166 | 2,012,942 |
| Other countries | - | - | - | 153,561 | 31,558 | 4,571 | 189,690 |
| | \$ 1,111,607 | 414,748 | 84,871 | 257,611 | 32,058 | 301,737 | 2,202,632 |
| Major products/services lines: | | | | | | | |
| Medicine and functional food | \$ 1,111,607 | 414,748 | 84,816 | 253,903 | - | 294,409 | 2,159,483 |
| Services | - | - | 55 | 3,708 | 8,020 | 7,328 | 19,111 |
| Royalty | - | - | - | - | 24,038 | - | 24,038 |
| | \$ 1,111,607 | 414,748 | 84,871 | 257,611 | 32,058 | 301,737 | 2,202,632 |

(ii) Contract balances

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--------------------|--------------------------|------------------------------|--------------------------|
| Contract liability | \$ 38,101 | 33,126 | 38,273 |

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

The amount of revenue recognized for the six months ended June 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$13,475 thousand and \$11,156 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 and six months ended June 30, 2023 and 2022, the Company accrued and recognized its employee remuneration amounting to \$5,896 thousand, \$5,798 thousand, \$11,792 thousand and \$11,597 thousand, respectively, as well as its remuneration to directors amounting to \$3,738 thousand, \$3,737 thousand, \$7,475 thousand and \$7,475 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.

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

(r) Non-operating income and expenses

(i) Interest income

The details of total interest income for the three months and six months ended June 30, 2023 and 2022 were as follows:

| | For the three months ended | | For the six months ended | |
|------------------------------------|-----------------------------------|--------------|---------------------------------|--------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Interest income from bank deposits | <u>\$ 21,769</u> | <u>4,202</u> | <u>38,126</u> | <u>5,702</u> |

(ii) Other income

The details of other income for the three months and six months ended June 30, 2023 and 2022 were as follows:

| | For the three months ended | | For the six months ended | |
|--------------|-----------------------------------|--------------|---------------------------------|--------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Rent revenue | <u>\$ 2,686</u> | <u>2,684</u> | <u>5,390</u> | <u>5,391</u> |

(iii) Other gains and losses

The details of other gains and losses for the three months and six months ended June 30, 2023 and 2022 were as follows:

| | For the three months ended | | For the six months ended | |
|---|-----------------------------------|---------------|---------------------------------|---------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| (Losses) gains on disposal of property, plant and equipment | \$ (31) | - | (54) | 43 |
| Dividend income | - | 960 | - | 960 |
| Foreign exchange gains | 9,472 | 9,941 | 5,335 | 14,902 |
| Other gains and losses | <u>4,205</u> | <u>8,575</u> | <u>8,361</u> | <u>11,975</u> |
| | <u>\$ 13,646</u> | <u>19,476</u> | <u>13,642</u> | <u>27,880</u> |

(iv) Finance costs

The details of finance costs for the three months and six months ended June 30, 2023 and 2022 were as follows:

| | For the three months ended | | For the six months ended | |
|---------------------|-----------------------------------|--------------|---------------------------------|--------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | \$ 9,334 | 4,705 | 16,346 | 9,104 |
| Other finance costs | <u>21</u> | <u>74</u> | <u>92</u> | <u>144</u> |
| | <u>\$ 9,355</u> | <u>4,779</u> | <u>16,438</u> | <u>9,248</u> |

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

(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.

(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> |
|---|----------------------------|-----------------------------------|--------------------------|-----------------------|------------------|
| June 30, 2023 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Bank loans | \$ 2,369,080 | 2,376,277 | 2,376,277 | - | - |
| Non-interest-bearing liabilities (including related parties) | 783,884 | 783,884 | 722,884 | 61,000 | - |
| Lease liabilities (current and non-current) | 10,699 | 10,917 | 5,580 | 5,337 | - |
| Guarantee deposits received | <u>2,427</u> | <u>2,427</u> | <u>2,427</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 3,166,090</u> | <u>3,173,505</u> | <u>3,107,168</u> | <u>66,337</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 | <u>2,431</u> | <u>2,431</u> | <u>2,431</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,805,144</u> | <u>2,815,189</u> | <u>2,713,827</u> | <u>101,362</u> | <u>-</u> |

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

| | <u>Carrying value</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>2-3 years</u> | <u>4-5 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|-----------------------|---------------------|
| June 30, 2022 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Bank loans | \$ 1,750,000 | 1,751,355 | 1,751,355 | - | - |
| Non-interest-bearing liabilities (including related parties) | 1,477,805 | 1,477,805 | 1,361,605 | 110,400 | 5,800 |
| Lease liabilities (current and non-current) | 18,906 | 19,293 | 7,494 | 9,425 | 2,374 |
| Guarantee deposits received | <u>2,432</u> | <u>2,432</u> | <u>2,432</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 3,249,143</u> | <u>3,250,885</u> | <u>3,122,886</u> | <u>119,825</u> | <u>8,174</u> |

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

(iii) Market risk

1) Currency risk

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

| | <u>June 30, 2023</u> | | | <u>December 31, 2022</u> | | | <u>June 30, 2022</u> | | |
|---------------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | <u>Foreign Currency</u> | <u>Exchange Rate</u> | <u>NTD</u> | <u>Foreign Currency</u> | <u>Exchange Rate</u> | <u>NTD</u> | <u>Foreign Currency</u> | <u>Exchange Rate</u> | <u>NTD</u> |
| <u>Financial assets</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | \$ 11,396 | 31.1400 | 354,861 | 8,433 | 30.7100 | 258,978 | 11,688 | 29.7200 | 347,354 |
| CNY | 2,429 | 4.2820 | 10,400 | 2,382 | 4.4080 | 10,500 | 2,382 | 4.4390 | 10,574 |
| JPY | 50,988 | 0.2150 | 10,962 | 185,734 | 0.2324 | 43,165 | 276,017 | 0.2182 | 60,227 |
| EUR | 273 | 33.8100 | 9,214 | 312 | 32.7200 | 10,206 | 303 | 31.0500 | 9,398 |
| <u>Non-monetary items</u> | | | | | | | | | |
| USD | 49,175 | 31.1400 | 1,531,323 | 48,213 | 30.7100 | 1,480,633 | 47,612 | 29.7200 | 1,415,029 |
| CNY | 49,447 | 4.2820 | 211,731 | 48,604 | 4.4080 | 214,245 | 48,231 | 4.4390 | 214,097 |
| THB | 399,263 | 0.8816 | 351,991 | 394,733 | 0.8941 | 352,931 | 378,968 | 0.8469 | 320,948 |
| EUR | 40 | 33.8100 | 1,360 | 43 | 32.7200 | 1,420 | 51 | 31.0500 | 1,583 |
| TRY | 7,034 | 1.1950 | 8,406 | 6,528 | 1.6410 | 10,712 | 6,499 | 1.7840 | 11,594 |

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.

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A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY and EUR as of June 30, 2023 and 2022 would have increased (decreased) the net profit after tax by \$3,083 thousand and \$3,420 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 six months ended June 30, 2023 and 2022, the foreign exchange gains (including realized and unrealized portions) amounted \$5,335 thousand and \$14,902 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.

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 \$844 thousand and \$267 thousand for the six months ended June 30, 2023 and 2022, respectively with all other variable factors remaining constant.

(v) Other market price risk

For the six months ended June 30, 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:

| | For the six months ended June 30, | | | | |
|---|--|-----------------|--|-----------------|----------|
| | 2023 | | 2022 | | |
| | Other Comprehensive income after tax | Net income | Other Comprehensive income after tax | Net income | |
| Prices of securities at the reporting date | \$ | <u>27,256</u> | <u>-</u> | <u>25,256</u> | <u>-</u> |
| Increasing 10% | \$ | <u>(27,256)</u> | <u>-</u> | <u>(25,256)</u> | <u>-</u> |
| Decreasing 10% | \$ | <u>(27,256)</u> | <u>-</u> | <u>(25,256)</u> | <u>-</u> |

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(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:

| | June 30, 2023 | | | | |
|---|---------------------------|-------------------|----------------|----------------|----------------|
| | Carrying Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic stock in listed company at Stock Exchange | \$ 174,163 | 174,163 | - | - | 174,163 |
| Domestic stock in listed company at Taipei Exchange | 72,457 | 72,457 | - | - | 72,457 |
| Domestic unlisted stock | 14,562 | - | - | 14,562 | 14,562 |
| International stock | 11,376 | - | - | 11,376 | 11,376 |
| Subtotal | <u>272,558</u> | <u>246,620</u> | <u>-</u> | <u>25,938</u> | <u>272,558</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 2,632,711 | - | - | - | - |
| Notes and accounts receivable (including related party) | 1,095,831 | - | - | - | - |
| Other receivables (including related party) | 73,940 | - | - | - | - |
| Other financial assets (current and non-current) | 266,698 | - | - | - | - |
| Refundable deposits paid | 25,840 | - | - | - | - |
| Subtotal | <u>4,095,020</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 4,367,578</u> | <u>246,620</u> | <u>-</u> | <u>25,938</u> | <u>272,558</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 2,369,080 | - | - | - | - |
| Notes and accounts payable (including related party) | 270,556 | - | - | - | - |
| Dividends payable | 26,738 | - | - | - | - |
| Other payables (including related party) | 425,590 | - | - | - | - |
| Lease liabilities (current and non-current) | 10,699 | - | - | - | - |
| Guarantee deposit received | 2,427 | - | - | - | - |
| Other non-current liabilities | 61,000 | - | - | - | - |
| Total | <u>\$ 3,166,090</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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| | December 31, 2022 | | | | |
|--|---------------------|----------------|----------|---------------|----------------|
| | Carrying Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic stock in listed company at Stock Exchange | \$ 167,624 | 167,624 | - | - | 167,624 |
| Domestic stock in listed company at Taipei Exchange | 51,811 | 51,811 | - | - | 51,811 |
| Domestic unlisted stock | 14,562 | - | - | 14,562 | 14,562 |
| International stock | 11,376 | - | - | 11,376 | 11,376 |
| Subtotal | <u>245,373</u> | <u>219,435</u> | <u>-</u> | <u>25,938</u> | <u>245,373</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 2,357,324 | - | - | - | - |
| Notes receivable and accounts receivable (including related party) | 1,227,148 | - | - | - | - |
| Other receivables (including related party) | 29,676 | - | - | - | - |
| Other financial assets (current and non-current) | 425,846 | - | - | - | - |
| Refundable deposits paid | 29,588 | - | - | - | - |
| Subtotal | <u>4,069,582</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 4,314,955</u> | <u>219,435</u> | <u>-</u> | <u>25,938</u> | <u>245,373</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 1,798,447 | - | - | - | - |
| Notes payable and accounts payable (including related party) | 289,396 | - | - | - | - |
| Other payables (including related party) | 619,311 | - | - | - | - |
| Lease liabilities (current and non-current) | 6,959 | - | - | - | - |
| Guarantee deposit received | 2,431 | - | - | - | - |
| Other non-current liabilities | 88,600 | - | - | - | - |
| Total | <u>\$ 2,805,144</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

| | June 30, 2022 | | | | |
|---|---------------------|----------------|----------|---------------|----------------|
| | Carrying Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Domestic stock in listed company at Stock Exchange | \$ 179,288 | 179,288 | - | - | 179,288 |
| Domestic stock in listed company at Taipei Exchange | 47,998 | 47,998 | - | - | 47,998 |
| Domestic stock in listed company at emerging stock market | 10,500 | - | - | 10,500 | 10,500 |
| International stock | 14,771 | - | - | 14,771 | 14,771 |
| Subtotal | <u>252,557</u> | <u>227,286</u> | <u>-</u> | <u>25,271</u> | <u>252,557</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 2,376,543 | - | - | - | - |
| Notes and accounts receivable (including related party) | 1,065,598 | - | - | - | - |
| Other receivables (including related party) | 94,247 | - | - | - | - |
| Other financial assets (current and non-current) | 440,754 | - | - | - | - |
| Refundable deposits paid | 24,493 | - | - | - | - |
| Subtotal | <u>4,001,635</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 4,254,192</u> | <u>227,286</u> | <u>-</u> | <u>25,271</u> | <u>252,557</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 1,750,000 | - | - | - | - |
| Notes and accounts payable (including related party) | 146,528 | - | - | - | - |
| Dividends payable | 771,015 | - | - | - | - |
| Other payables (including related party) | 444,062 | - | - | - | - |
| Lease liabilities (current and non-current) | 18,906 | - | - | - | - |
| Guarantee deposit received | 2,432 | - | - | - | - |
| Other non-current liabilities | 116,200 | - | - | - | - |
| Total | <u>\$ 3,249,143</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.

(Continued)

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

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the six months ended June 30, 2023 and 2022, so there was no transfer between levels.

6) Reconciliation of Level 3 fair values

| | Fair value through other comprehensive income |
|----------------------------|--|
| | Unquoted equity instruments |
| Balance at January 1, 2023 | \$ 25,938 |
| Balance at June 30, 2023 | <u>\$ 25,938</u> |
| Balance at January 1, 2022 | \$ 14,771 |
| Addition | <u>10,500</u> |
| Balance at June 30, 2022 | <u><u>\$ 25,271</u></u> |

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 June 30, 2023, December 31, 2022 and June 30, 2022 were 27.3%~30%, 27.3%~30% and 28.52%, respectively) ·Expected volatility (On June 30, 2023, December 31, 2022 and June 30, 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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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

| | <u>Input</u> | <u>Change</u> | <u>Other comprehensive income</u> | |
|---|-------------------------|---------------|-----------------------------------|--------------------|
| | | | <u>Favorable</u> | <u>Unfavorable</u> |
| June 30, 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) |
| June 30, 2022 | | | | |
| Financial assets at fair value through other comprehensive income - equity investments without an active market | Discounted of liquidity | 1% | 253 | (253) |
| | Expected volatility | 1% | 494 | (489) |

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(v) 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 | | For the six months ended | |
|-----------------------|-----------------------------------|----------------------|---------------------------------|----------------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Associates | \$ 35,949 | 13,453 | 66,263 | 49,580 |
| Other related parties | 128 | 26 | 226 | 160 |
| | <u>\$ 36,077</u> | <u>13,479</u> | <u>66,489</u> | <u>49,740</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:

| Recognized item | Category | For the three months ended | | For the six months ended | |
|------------------------|-----------------|-----------------------------------|---------------------|---------------------------------|---------------------|
| | | June 30, | | June 30, | |
| | | 2023 | 2022 | 2023 | 2022 |
| Other gains | Associates-ATB | \$ <u>3,104</u> | <u>3,086</u> | <u>6,204</u> | <u>6,130</u> |

Other gains of the Group to the associates were mainly paid in accordance with the management service contract between the two parties. The payment terms are three months, which were not different from the payment terms given by other non-related parties.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(c) Assets and liabilities with related parties

| <u>Recognized item</u> | <u>Category</u> | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|------------------------|----------------------------------|--------------------------|------------------------------|--------------------------|
| Accounts receivable | Associates | \$ 37,730 | 16,426 | 13,465 |
| | Other related parties | 133 | 122 | 28 |
| | | <u>\$ 37,863</u> | <u>16,548</u> | <u>13,493</u> |
| Other receivables | Associates-ATB | \$ 3,170 | 3,669 | 3,420 |
| | Associate- PharmaEngine, Inc. | 51,734 | - | 69,841 |
| | | <u>\$ 54,904</u> | <u>3,669</u> | <u>73,261</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 June 30,</u> | | <u>For the six months ended June 30,</u> | |
|---|--|---------------|--|---------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Salaries and other short-term employee benefits | \$ 17,026 | 15,862 | 33,073 | 35,204 |
| Post-employment benefits | 306 | 191 | 516 | 380 |
| | <u>\$ 17,332</u> | <u>16,053</u> | <u>33,589</u> | <u>35,584</u> |

(8) Assets pledged as security:

The carrying amounts of pledged assets were as follows:

| <u>Pledged asset</u> | <u>Object</u> | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|------------------------------------|------------------------------------|--------------------------|------------------------------|--------------------------|
| Other financial assets-non-current | Guarantee for provision attachment | <u>\$ 149,380</u> | <u>149,380</u> | <u>149,380</u> |

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(9) Significant commitments and contingencies:

- (a) The Group's unfinished contracts as of June 30, 2023, December 31, 2022 and June 30, 2022 were as follows:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|--|--------------------------|------------------------------|--------------------------|
| <u>Total price of unfinished contracts</u> | | | |
| Purchase of equipment and construction engineering | \$ <u>64,259</u> | <u>40,124</u> | <u>45,786</u> |
| Acquisition of intangible assets | \$ <u>418,155</u> | <u>160,907</u> | <u>214,830</u> |
| Research and development service | \$ <u>118,745</u> | <u>114,245</u> | <u>154,986</u> |
| Purchase of raw materials | \$ <u>103,419</u> | <u>103,016</u> | <u>100,372</u> |
| <u>Unpaid amount</u> | | | |
| Purchase of equipment and construction engineering | \$ <u>39,280</u> | <u>16,660</u> | <u>29,253</u> |
| Acquisition of intangible assets | \$ <u>354,262</u> | <u>143,424</u> | <u>144,258</u> |
| Research and development service | \$ <u>43,739</u> | <u>39,739</u> | <u>65,348</u> |
| Purchase of raw materials | \$ <u>29,194</u> | <u>47,984</u> | <u>74,300</u> |

- (b) As of June 30, 2023, December 31, 2022, and June 30, 2022, the financial institutions provided guarantee for the import and sale of medicine, which amounted to \$77,501 thousand, \$62,146 thousand and \$62,146 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 June 30, | | | |
|----------------------------|----------------|-------------------|-------------------------------------|----------------|-------------------|---------|
| | 2023 | | | 2022 | | |
| | Operating Cost | Operating expense | Total | Operating Cost | Operating expense | Total |
| Employee benefit | | | | | | |
| Salary | \$ 62,520 | 155,490 | 218,010 | 60,462 | 170,863 | 231,325 |
| Health and labor insurance | 6,496 | 12,627 | 19,123 | 6,053 | 12,390 | 18,443 |
| Pension | 3,399 | 7,084 | 10,483 | 3,279 | 7,360 | 10,639 |
| Others | 2,436 | 17,198 | 19,634 | 1,764 | 11,032 | 12,796 |
| Depreciation expense | 29,733 | 8,894 | 38,627 | 29,126 | 10,509 | 39,635 |
| Amortization expense | 6,240 | 7,385 | 13,625 | 102 | 5,539 | 5,641 |

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

| By function | For the six months ended June 30, | | | | | |
|----------------------------|-----------------------------------|-------------------|---------|----------------|-------------------|---------|
| | 2023 | | | 2022 | | |
| | Operating Cost | Operating expense | Total | Operating Cost | Operating expense | Total |
| Employee benefit | | | | | | |
| Salary | \$ 124,161 | 343,600 | 467,761 | 117,132 | 348,350 | 465,482 |
| Health and labor insurance | 12,368 | 25,624 | 37,992 | 11,453 | 25,116 | 36,569 |
| Pension | 6,643 | 14,288 | 20,931 | 6,311 | 14,614 | 20,925 |
| Others | 4,916 | 29,705 | 34,621 | 3,218 | 24,438 | 27,656 |
| Depreciation expense | 59,220 | 17,767 | 76,987 | 58,252 | 20,868 | 79,120 |
| Amortization expense | 10,547 | 14,701 | 25,248 | 180 | 10,999 | 11,179 |

(b) Others

The Group donated \$61,990 thousand and \$20,426 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the six months ended June 30, 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.

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

- (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 June 30, 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.
- (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 original judgment was declared to be invalid by the Supreme Court, and the case is remanded to the Taiwan High Court for trial in May 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.
- (i) On July 21, 2023, Taiwan Shilin District Prosecutors Office and the Ministry of Justice Investigation Bureau (referred to as the Investigation Bureau) came to the Company to investigate the drug contract case, and the Investigation Bureau reviewed and selected the Company's transaction documents related to certain drugs from July 2011 to July 2023. The case is under investigation and has no impact on the Company's finances and operations at this time.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on the Group significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the six months ended June 30, 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 | 1,077,057 | 50,000 | 50,000 | 19,080 | - | 0.93 % | 2,692,643 | 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 June 30, 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 | 1,182 | 72,457 | 0.92 % | 72,457 | |
| " | Fubon Financial Holding Co., Ltd. Preferred Shares B | - | Financial assets measured at fair value through other comprehensive income–non-current | 2,500 | 149,750 | 0.38 % | 149,750 | |
| " | Union Bank of Taiwan Preferred Shares A | - | " | 400 | 21,080 | 0.20 % | 21,080 | |
| " | Fubon Financial Holding Co., Ltd. Preferred Shares C | - | " | 58 | 3,333 | 0.02 % | 3,333 | |
| " | CellMax Ltd. Common Stock | - | " | 1,593 | 11,376 | - % | 11,376 | |

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None
- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None
- (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 | | | Percentage of the consolidated net revenue or total assets |
|-----|------------------------|--------------------------------------|------------------------|---------------------------|--------|---------------|--|
| | | | | Account name | Amount | Trading terms | |
| 0 | TTY Biopharm Co., Ltd. | Worldco International Co., Ltd. | 1 | Royalty revenue | 27,525 | By contract | 1.13% |
| 0 | " | TSH Biopharm Co., Ltd. | 1 | Accounts receivable | 9,022 | " | 0.09% |
| 0 | " | " | 1 | Other receivables | 36,513 | " | 0.38% |
| 0 | " | " | 1 | Sales revenue | 41,947 | " | 1.73% |
| 0 | " | " | 1 | Other income | 2,298 | " | 0.09% |
| 0 | " | " | 1 | Other gains and losses | 2,432 | " | 0.10% |
| 0 | " | " | 1 | Selling expense | 1,076 | " | 0.04% |
| 0 | " | American Taiwan Biopharma Phils Inc. | 1 | Other receivables | 5,623 | " | 0.06% |
| 0 | " | " | 1 | Accounts receivable | 2,687 | " | 0.03% |
| 0 | " | Chuang Yi Biotech Co., Ltd. | 1 | Accounts receivable | 15,714 | " | 0.16% |
| 0 | " | " | 1 | Sales revenue | 27,686 | " | 1.14% |
| 0 | " | " | 1 | Other gains and losses | 3,277 | " | 0.13% |

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1): The numbering is as follows:

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

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

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

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

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 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 June 30, 2023 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|---|-------------|------------------------------|----------------------------|-------------------|-----------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|---|
| | | | | June 30, 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 % | 1,436,749 | 22,353 | 22,353 | Subsidiary |
| The Company | Worldco International Co., Ltd. | Hong Kong | Selling chemical medicine | 15,825 | 158,254 | 3,960 | 100.00 % | 209,517 | 2,088 | 2,088 | Subsidiary |
| The Company | American Taiwan Biopharma Phils Inc. | Philippines | Selling chemical medicine | 32,904 | 32,904 | 481 | 87.00 % | (3,429) | (702) | (611) | Subsidiary |
| The Company | TSH Biopharm Co., Ltd. | Taiwan | Selling chemical medicine | 227,449 | 227,449 | 21,687 | 56.48 % | 595,933 | 28,170 (Note) | 15,742 | Subsidiary |
| The Company | Enhax Biopharm Inc. | Taiwan | Developing chemical medicine | 50,000 | 50,000 | 5,000 | 20.83 % | 14,814 | (6,627) | (1,380) | Subsidiary |
| The Company | Chuang Yi Biotech Co., Ltd. | Taiwan | Selling functional food | 250,951 | 250,951 | 16,646 | 49.05 % | 21,682 | (20,208) | (9,912) | Subsidiary |
| The Company | TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi | Turkey | Selling chemical medicine | 13,863 | 13,863 | 240 | 100.00 % | 8,406 | 783 | 783 | Subsidiary |
| The Company | PharmaEngine, Inc. | Taiwan | Developing chemical medicine | 536,559 | 536,559 | 25,867 | 18.00 % | 838,137 | 156,496 | 28,169 | Investments accounted for using equity method |

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2023 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|--------------------------------------|----------------------------------|-------------|---|----------------------------|-------------------|-----------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|---|
| | | | | June 30, 2023 | December 31, 2022 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | American Taiwan Biopharm | Thailand | Selling chemical medicine | 2,966 | 2,966 | 380 | 40.00 % | 351,991 | 60,769 | 24,308 | Investments accounted for using equity method |
| The Company | Gligio International Limited | Hong Kong | Selling chemical medicine | 2,685 | 2,685 | 620 | 40.00 % | 94,574 | 35,378 | 14,151 | Investments accounted for using equity method |
| Xudong Haipu International Co., Ltd. | EnhanX Biopharm Inc. | Taiwan | Developing chemical medicine | 70,000 | 70,000 | 7,000 | 29.17 % | 32,395 | (6,627) | (1,933) | Subsidiary |
| Xudong Haipu International Co., Ltd. | TTY Biopharm Korea Co., Ltd. | Korea | Selling chemical medicine | 59,404 | 43,834 | 449 | 100.00 % | 15,071 | (4,598) | (4,598) | Subsidiary |
| Xudong Haipu International Co., Ltd. | TTY Biopharm Mexico S.A. de C.V. | Mexico | Selling chemical medicine | 26,638 | 26,638 | 17,500 | 50.00 % | 8,734 | (6,042) | (3,021) | Subsidiary |
| Worldco International Co., Ltd. | TTY Biopharm Mexico S.A. de C.V. | Mexico | Selling chemical medicine | 26,638 | 26,638 | 17,500 | 50.00 % | 8,734 | (6,042) | (3,021) | Subsidiary |
| EnhanX Biopharm Inc. | EnhanX Biopharm B.V. | Netherlands | Developing chemical medicine | 3,538 | 3,538 | 100 | 100.00 % | 1,360 | (105) | (105) | Subsidiary |
| TSH Biopharm Co., Ltd. | Chuang Yi Biotech Co., Ltd. | Taiwan | Selling functional food | 40,252 | 40,252 | 1,320 | 3.89 % | 5,379 | (20,208) | (786) | 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 % | 2,251 | (83) | (83) | Subsidiary |

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

(In Thousands)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2023 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 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 | 50,956 | (2) | 86,197 | - | - | 86,197 | 238 | 100 % | 238 | 49,185 | - |
| | | CNY 11,900 | | CNY 20,130 | | | CNY 20,130 | CNY 54 | | CNY 54 | CNY 11,487 | |
| Chuang Yi (Shanghai) Trading Co., Ltd. | Selling functional food | 15,570 | (2) | 15,570 | - | - | 15,570 | (84) | 100 % | (84) | 2,214 | - |
| | | USD 500 | | USD 500 | | | USD 500 | CNY (19) | | CNY (19) | CNY 517 | |

The exchange rate of USD to NTD as of the reporting date was 1:31.1400, and the average exchange rate of USD to NTD for the reporting period was 1:30.5633.

The exchange rate of CNY to NTD as of the reporting date was 1:4.2820, and the average exchange rate of CNY to NTD for the reporting period was 1:4.3928.

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

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

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

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

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of June 30, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| NTD 101,767 | NTD 1,470,680 (USD 47,228) | NTD 3,231,171 |

(iii) Significant transactions: None

(d) Major shareholders:

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

(14) Segment information:

(a) General information

The Group's operating segments required to be disclosed are categorized as Oncology Business Unit, 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 June 30, 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 | \$ 601,091 | 243,619 | 50,771 | 177,079 | 17,671 | 171,332 | - | 1,261,563 |
| Intersegment revenues | 27,525 | - | 15,949 | 20,690 | 400 | 480 | (65,044) | - |
| Total revenue | <u>\$ 628,616</u> | <u>243,619</u> | <u>66,720</u> | <u>197,769</u> | <u>18,071</u> | <u>171,812</u> | <u>(65,044)</u> | <u>1,261,563</u> |
| Reportable segment profit or loss | <u>\$ 315,247</u> | <u>77,905</u> | <u>28,155</u> | <u>25,604</u> | <u>(61,120)</u> | <u>28,657</u> | <u>(21,060)</u> | <u>393,388</u> |

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Notes to the Consolidated Financial Statements

| For the three months ended June 30, 2022 | Oncology Business Unit | Intensive Care Business Unit | Healthcare Business Unit | Export and CDMO Business Unit | Other Business Unit | Re-investment Business Unit | Adjustment and elimination | Total |
|---|-----------------------------------|---|---|--|------------------------------------|--|---|------------------|
| Revenue: | | | | | | | | |
| Revenue from external customers | \$ 569,658 | 213,830 | 43,501 | 158,063 | 31,558 | 148,908 | - | 1,165,518 |
| Intersegment revenues | 16,502 | - | 14,855 | 23,052 | 59 | 340 | (54,808) | - |
| Total revenue | <u>\$ 586,160</u> | <u>213,830</u> | <u>58,356</u> | <u>181,115</u> | <u>31,617</u> | <u>149,248</u> | <u>(54,808)</u> | <u>1,165,518</u> |
| Reportable segment profit or loss | <u>\$ 306,415</u> | <u>62,234</u> | <u>34,041</u> | <u>30,054</u> | <u>(85,025)</u> | <u>5,856</u> | <u>(2,548)</u> | <u>351,027</u> |
| For the six months ended June 30, 2023 | | | | | | | | |
| Revenue: | | | | | | | | |
| Revenue from external customers | \$ 1,159,243 | 496,963 | 99,191 | 336,780 | 19,413 | 316,305 | - | 2,427,895 |
| Intersegment revenues | 27,525 | - | 27,686 | 41,947 | 400 | 1,076 | (98,634) | - |
| Total revenue | <u>\$ 1,186,768</u> | <u>496,963</u> | <u>126,877</u> | <u>378,727</u> | <u>19,813</u> | <u>317,381</u> | <u>(98,634)</u> | <u>2,427,895</u> |
| Reportable segment profit or loss | <u>\$ 574,677</u> | <u>177,554</u> | <u>64,144</u> | <u>30,225</u> | <u>(166,465)</u> | <u>28,277</u> | <u>(21,682)</u> | <u>686,730</u> |
| For the six months ended June 30, 2022 | | | | | | | | |
| Revenue: | | | | | | | | |
| Revenue from external customers | \$ 1,111,607 | 414,748 | 84,871 | 257,611 | 32,058 | 301,737 | - | 2,202,632 |
| Intersegment revenues | 16,502 | - | 26,620 | 42,902 | 59 | 904 | (86,987) | - |
| Total revenue | <u>\$ 1,128,109</u> | <u>414,748</u> | <u>111,491</u> | <u>300,513</u> | <u>32,117</u> | <u>302,641</u> | <u>(86,987)</u> | <u>2,202,632</u> |
| Reportable segment profit or loss | <u>\$ 600,219</u> | <u>127,958</u> | <u>62,854</u> | <u>28,261</u> | <u>(190,488)</u> | <u>4,915</u> | <u>4,555</u> | <u>638,274</u> |
| Reportable segment assets | | | | | | | | |
| Balance on June 30, 2023 | <u>\$ 1,276,243</u> | <u>377,127</u> | <u>542,185</u> | <u>1,673,520</u> | <u>5,066,886</u> | <u>3,135,421</u> | <u>(2,436,070)</u> | <u>9,635,312</u> |
| Balance on December 31, 2022 | <u>\$ 1,322,687</u> | <u>390,600</u> | <u>538,910</u> | <u>1,647,027</u> | <u>4,957,345</u> | <u>3,137,657</u> | <u>(2,393,591)</u> | <u>9,600,635</u> |
| Balance on June 30, 2022 | <u>\$ 1,236,493</u> | <u>307,466</u> | <u>498,775</u> | <u>1,698,189</u> | <u>4,960,738</u> | <u>3,023,948</u> | <u>(2,335,570)</u> | <u>9,390,039</u> |