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Annual Report 2018

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THIS IS A TRANSLATION OF THE 2018 ANNUAL REPORT (THE "ANNUAL REPORT") OF TTY BIOPHARM COMPANY LIMITED (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

1. **Spokesperson**

   Name：Chang, Kuo-Chiang
   Title：CFO
   Tel：+886-2-2652-5999#2339
   E-mail：KC_Chang@tty.com.tw

2. **Deputy Spokesperson**

   Name：Chen,Rui-Fen
   Title：Supervisor of Organization Development and Human Resource
   Tel：(02)2652-5999#2146
   E-mail：Gloria_Chen@tty.com.tw

3. **Head Office**

   Add：3F., No.3-1, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)
   Tel：+886-2-2652-5999

4. **Chungli Factory**

   Add：No.838, Sec. 1, Zhonghua Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)
   Tel：+886-3-452-2160

5. **Lioudu Factory**

   Add：No.5, Gongjian W. Rd., Qidu Dist., Keelung City 206, Taiwan (R.O.C.)
   Tel：+886--2-2451-2466

6. **Neihu Factory**

   Add：5F., No. 118, Xingshan Rd., Neihu Dist., Taipei City 11469, Taiwan (R.O.C.)
   Tel：+886--2-2796-7383

7. **Share Transfer Agency**

   Company：Capital Securities Corporation
   Add：B2,No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)
   Tel：+886-2-2702-3999
   Website：http://agency.capital.com.tw

8. **Contact information of the Certified Public Accountants for the Latest Financial Repot**

   Name：Tseng,Kuo-Yang and Chi,Shi-Qin
   CPA Firm：KPMG Taiwan
   Add： No.7-68, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
   Tel：+886--2-8101-6666
   Website：http://www.kpmg.com/tw

9. **Overseas trade places and the inquiry methods for listed negotiable securities**：None

10. **Company Website**：http://www.tty.com.tw

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I. Letter to Shareholders

Dear Ladies and Gentlemen,

TTY Biopharm is having aggressive progress toward our strategic goals and objectives by relying on the joint efforts of the management team and all staff members. Business performance in 2018 was impressive with revenues and profits hitting a historical high. In addition, we strive to implement corporate governance and fulfill our corporate responsibility by embracing the spirit of benevolent management. Due to our involvement of dedication and efforts, we have been ranked in the top 5% of all TPEx-listed companies in the annual corporate governance appraisals conducted by the Taiwan Stock Exchange and the Taipei Exchange for three consecutive years. Looking ahead, the company will make every effort to further improve our governance effectiveness. Simultaneously, we keep strengthening culture of corporate governance, delivery of function for Board of Directors, great disclosure of information, encouragement of participation for all shareholders and intensification for compliance to shape excellent characteristics of corporate governance. Besides that, TTY will build up international reputation and market value via global inter reactions to make abundant profitability. We believe TTY Biopharm would be the most reliable enterprise for investors and other stakeholders.

<u>The Company's Business Result for year 2018</u>

(1) Business Plan Implementation Result

The Company's consolidated net business revenue for year 2018 reached NT$4,036,196 thousands, which represents reduction by NT$42,564 thousands (-1.04%) compared to the revenue of NT$4,078,760 thousands for year 2017. This decrease was mainly caused by no agent revenue for the sales of influenza vaccine for year 2018. Net profit attributed to the parent company for year 2018 totaled NT$1,461,381 thousands which represents an increase by NT$116,650 thousands (8.67%) compared to that of NT$1,344,731 thousands in year 2017. This was mainly because the more gain from disposal of investment in year 2018 than that in year 2017.

(2) Budget Implementation Status

The Company's net business revenue for 2018 is NT$ 3,555,620 thousands, Pre-tax profit is NT$ 1,667,812 thousands, achieving 114.24% of the annual budget target.

(3) Income & Expenditure and Profitability Analysis

Item \ Year		2018	2017
Income & Expenditure	Interest Income (in thousands)	2,406	3,408
	Interest Expnse (in thousands)	17,202	25,191
Profitability Analysis	Return on Assets %	17.22	15.77
	Return on Equity %	25.86	24.73
	Net Profit Margin %	41.10	36.62
	Earnings Per Share (NTD)	5.88	5.41

(4) Research & Development Status

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

We have established a subsidiary as a joint venture with our Dutch partner. This subsidiary specializes in the development of drugs for the treatment of brain diseases. The goal lies in the development of new drugs for the treatment of acute from Multiple Sclerosis by relying on the company's specialized liposome technology platform. In addition, the Company is also actively engaged in the research and development of long-acting microsphere products for the treatment of Acromegaly and functional gastric, intestinal, and pancreatic endocrine tumors. Overseas markets for two liposome products are developed in cooperation with large international companies. The company has achieved the milestone as "three-batch validation" and actively implements relevant procedures to accelerate access to overseas markets. The leading position in core competitive areas is constantly advanced based on a strategy of developing technology platforms of great width and depth.

Looking ahead, the Company will continue to develop forward-looking and innovative technologies to consolidate its core competitiveness and leadership position.

Overview of the 2019 Business Plan

(1) Operation Policy

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

(2) Quantity and Basis for Projected Sales

In year 2019, the Company expects to sell 347 million tablets of oral products and 5.5 million vials of injection. The Company’s projected sales volume has been established in accordance with IMS statistic report and under considerations of possible changes in market supply and demand going forward, new product development speed as well as national health insurance policy.

(3) Critical Production and Marketing Policies

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

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

The Company's Future Development Strategy

Corporate Vision: "Enhance Human Life Quality with Technology"

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

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

(1) Balanced evaluations over early/middle/final phase drug development targets for the purpose of enhancing product assortments(specialty pharma, biopharma, new drug) and meeting this organization's short/long term operation goals;

(2) Collaboration with international cooperation partners in order to speed up development for new drugs which come with unmet medical needs, high entry barrier (technology, manufacturing) and high drug economic values;

(3) Concentrate in an ongoing basis on the implementation of "localized" business activities and life cycle management "best suited for local community" in respective target markets;

(4) Development of specialty pharma through competitive self-owned and joint developments for the purpose of creating stable operation patterns for Contract Development and Manufacturing Organization (CDMO) and adding values to TTY international business development;

(5) Establishment, renewal and maintenance of drug manufacturing bases which meet with international quality requirements;

(6) Utilization of critical strategic activities of mergers and acquisitions, strategic alliance or joint venture to complete integration of value chain which starts from R&D and manufacturing to marketing;

(7) Continued implementation of production process improvement and enhancement of production capacity planning (capable of supplying international mass production demand) which comes with flexibility and economies of scale for the purpose of ensuring cost advantage;

(8) Rapid acquisition and cultivation of local talents with "entrepreneurial spirit" and continued enhancement over product development talents possessing balanced developments in the fields

of “science, regulation, business management;”

(9) Product development supported by current sales revenue from Taiwan;

(10) Amortization of facility operation costs through international characteristic drug OEM/joint development revenue;

(11) Introduction of R&D result into in global market and completion of offshore license -out; Combination of product and R&D revenue for the purpose of investing the future while creating positive business cycle;

(12) Concentration on global biotechnology investment targets to maximize group profits.

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

Under the impact of regional industrial competition, China, India, and Southeast Asian countries have successively stepped into generic drug industry, which has led to a status of cut-throat price war. In addition, Taiwanese drug manufacturers lack economies of scale, which coupled with insufficient domestic demand has resulted in excessive competition and staggers development of the drug market in Taiwan.

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

According to a report released by the Center for Economic Forecasting of the Chung-Hua Institution for Economic Research, the forecasted growth rate for the US economy in 2019 is 2.7%, which is lower than that of 2.9% in 2018. Growth rate of Euro Zone (UK not included) was expected to 1.6% in 2019, which is lower than that of 2.1% in 2018. Mainland China is expected to maintain a growth rate of around 6.1% in 2019, which is still 0.5% lower than that in 2018 and also represents a record low since 1990 (3.2%). The forecasted growth rate for Taiwan in 2019, on the other hand, is 2.18% which also marks a drop from the reported 2.62% in 2018. These statistics clearly shows that global economic recovery has lost momentum compared to 2018. In view of the weakening economic environment, enterprises will face serious challenges in the fields of business expansion and cost control efficiency in 2019. TTY Biopharm will continue to increase its revenues through expansion of sales channels and acquisition of new indications. At the same time, the company is firmly committed to controlling overhead budgets to maximize shareholder equity.

TTY Biopharm Co., Ltd.

Chairman of the Board: Lin, Chuan

II. Company Introduction

1. Founding date: July 22, 1960

2. History of the Comapny：

1960	·	Establishment of Taiwan Tung Yang Chemical Industries Company Limited. with a total registered capital of NT$ 2 million.
1968	·	Construction of the Zhongli Factory and technical cooperation with Toyo Jozo Company Limited.
1969	·	Registration of the Chinese and English name of the Company (Taiwan Tung Yang Chemical Industries Company Limited.)
1988	·	The task force in charge of promotion of Good Manufacturing Practices (GMP) for pharmaceuticals determines that the plant meets all required GMP standards
1993	·	Construction of a plant as a joint venture with Shanghai Xudonghaipu Pharmaceutical Company Limited
1997	·	Merger with Dongxing Pharmaceutial Company Limited. The company has a total capital of NT$180 million upon a capital increase.
1998	·	The Securities & Futures Institute approves the public listing of the company's stock. The company carries out a cash capital increase of NT$ 40 million. The total capital after the capital increase amounts to NT$ 239.9 million.
	·	Acquisition of the Lipo-Dox Liposome Injection certification, turning the plant into one of only three pharmaceutical plants worldwide that possess the technology to manufacture liposomes
	·	Development of “Regrow SR” for slow-release formulas and acquisition of the first certification in Taiwan for antitussives with prolonged effect
2000	·	In accordance with the development and transformation of the company, its English name is officially changed to TTY BioPharm Company Limited.
	·	The first locally produced anti-tumor medication (UFUR) is granted a drug permit license by the Department of Health (in accordance with public notice No.77)
	·	Shanghai Xudong Haipu Pharmaceutical plant passes the GMP certification
2001	·	Official OTC listing of the company's stock on September 27
	·	Issuance of secured common corporate bonds of a par value of NT$ 300 million

2002	· Thado is granted a drug permit license and is brought on the market · Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan · Recognized with the Excellence Award for industrial technology development presented by the Ministry of Economic Affairs · Lipo-Dox® is honored with the Silver Award for Pharmaceutical Technology Research and Development presented by the Department of Health, Ministry of Economic Affairs
2003	· Acquisition of Folina license (Singapore) · Acquisition of a Chinese patent for new Thalidomide indications · Acquisition of a Chinese patent for preparation methods of Oxaliplatinum injection sterilization product
2004	· Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan · Acquisition of the exclusive right to develop the new anti-cancer drug S1 in Taiwan granted by Taiho in Japan
2005	· Recognized with the Outstanding Innovation Award presented by the Ministry of Economic Affairs in the context of the 13^{th} Industrial Technology Development Awards
2006	· Acquisition of a Taiwanese patent for Lipo-Dox® Liposome Injections – Manufacturing method of liposomal suspensions including liposomal suspension products manufactured with this method · Acquisition of a New Zealandian patent for Asadin® injection – Radioactive arsenic compound and its use for tumor treatment · Acquisition of a Taiwanese patent for Asadin® injection – partially applied medicinal formula for treatment of subcutaneous tumors · Acquisition of a Taiwanese patent for Thado® capsules – Medicinal formula for treatment of stem cell cancer
2007	· Passing of a European plant certification for injection medicines for clinical trial · Completion and activation of a professional plant for the manufacture of anti-cancer drugs in accordance with PIC/S GMP.
2008	· Anti-cancer injection medicine plant passes EU plant certification
2009	· Full anti-cancer dosage passes EU plant certification · Cancer Translational Center earns ISO17025 certification · to-BBB technologies BV announces the joint development of the brain tumor target drug liposomal doxorubicin · Anti-cancer drug Taxotere is granted a generics license in Europe · The Zhongli Factory passes the domestic PIC/S GMP plant certification

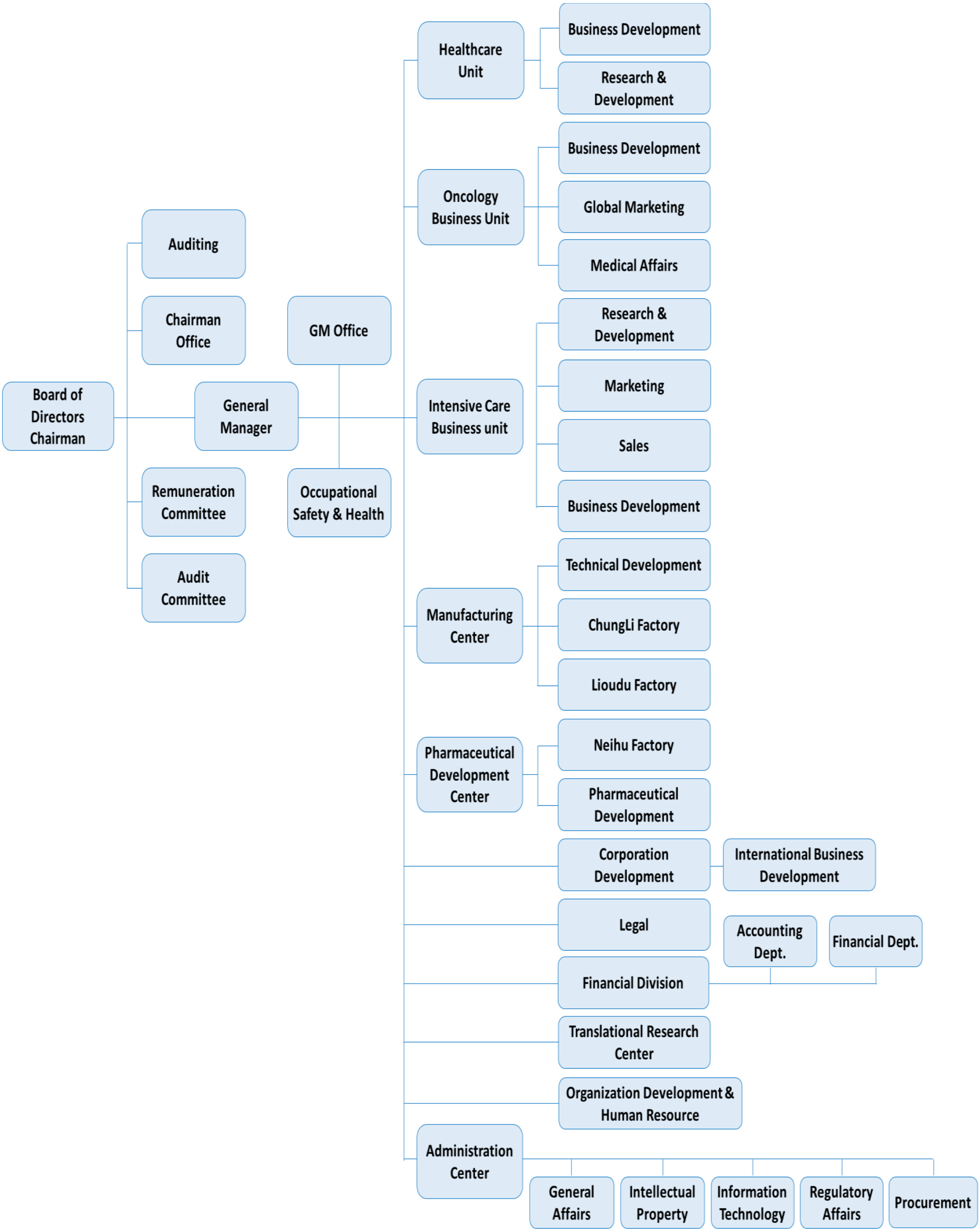
2010	· Establishment of TOT Shanghai R&D Center Company Limited. in China · Acquisition of the Taiwan Shionogi Lioudu Factory · Establishment of TOT Biopharm Company Limited in China · Acquisition of drug permit license for TS-1 Capsule · Establishment of TSH Biopharm Corporation Limited through spin-off
2011	· Establishment of a local office in Hanoi, Vietnam · Lipo-Dox is honored with the 2011Biotechnology Award for best technology commercialization · Lipo-Dox is honored with the 2011 National Invention and Creation Award- Silver Medal Award · Award in the industry category at the 7th Nano Elite Awards organized by the Ministry of Economic Affairs · Investment in CY Biotech
2012	· Acquisition of a Taiwanese drug permit license for Temazo Capsules · Acquisition of a Taiwanese drug permit license for Tynen Injection · Construction and activation of the new anti-cancer drug manufacturing plant of TOT Biopharm Company Limited in Suzhou · Acquisition of 100% of the total equity of Chengdu Shuyu Pharmaceutical Company Limited. in China
2013	· Disposal of 60% of the total equity of Taiwan Tungyang International Company Limited · Honored with the Gold Award for outstanding biotechnology industries · The Lioudu Factory passes the domestic PIC/S GMP plant certification
2014	· Acquisition of a Taiwanese drug permit license for Brosym for Injection · Neihu Plant passes Taiwan TFDA plant certification
2015	· Neihu Plant passes Taiwan TFDA PIC/S GMP plant certification · Chungli Factory passes Taiwan TFDA PIC/S GMP plant certification · In oreder to adjust investment structure, selling all equities of Taiwan Tungyang International Company Limited and TOT Biopharm International Company Limited
2016	· Audit committee was established to replace supervisor. · Liu-Du factory passed Taiwan TFDA PIC/S GMP inspection and obtained certification in freeze-drying dosage, sterile preparation and final sterilization. · The Company as a whole has passed “Taiwan Intellectual Property Management System” A level certification.
2017	· Achieved top 5% performance of OTC company in the 3rd Company Governance Assessment.

2018	· The company established a joint venture of EnhanX Biopharm Inc.with 2-BBB MEDICINES BV. · Achieved top 5% performance of OTC company in the 4th Company Governance Assessment.
2019	· The company and global player jointly develop generic drug of Arsenic Trioxide for US and Europe market. · Achieved top 5% performance of OTC company in the 5th Company Governance Assessment.

III. Corporate Governance Report

1. Organization

(1) Organization



(2) Department Functions

Department	Segregation of duties
GM Office	Assist General Manager to realize respective strategy under business model.
Auditing	Execute a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and control governance processes.
Oncology Business Unit	Execution of strategic planning, development, and project management for oncology drugs in line with development strategies for major diagnostic categories as well as pre- and post-launch marketing planning and business promotion
Intensive Care Business Unit	Execution of strategic planning, development, and project management for anti-infection drugs in line with development strategies for major diagnostic categories as well as pre- and post-launch marketing planning and business promotion
Healthcare Unit	Manage TTY Healthcare team on operations and implementing strategic movements by encompassing the latest market trend to promote its products and comb out the niche market.
Pharmaceutical Development Center	Allocate and coordinate resources to R&D formulation programs to ensure smooth transfer of new know-how to other departments in a timely manner.
Manufacturing Center	Integrate and maintain PIC/S GMP management system to ensure TTY's products meet and exceed global quality standard.
Administration Center	1. Conduct both internal and external communications including strategic Intellectual property analysis and coordination, maintaining the key official report in order to smooth operations for company's mission statement. 2. Devote in global pharmaceutical regulatory affairs and strengthening regulatory negotiation and overcome barriers in order to speed up product launch. 3. Maintain company's IT infrastructure by developing software and constantly updating hardware to meet company's ever-changing needs.
Organization Development & Human Resource Department	Manage the full spectrum of Human Resource functions including recruitment, training, performance evaluation, compensation and benefits. Also responsible for safeguard TTY's core value in order to maintain competitive edge.
Financial Division	Responsible for daily transactions for the business such as preparing the budgets and forecasts, and to report back on the progress against these throughout the year. This information can be used to plan asset purchases and expansions and cash needs while maintaining investor relationship and BOD. function and stock affairs。
Legal Department	Review company's contracts and in charge of litigation matters accordingly to ensure practice is in TTY's interest。
International Business Development	In charge of oversea company's operation including strategic alliance, new venture evaluation, merger and acquisition
Translational Research Center	In charge of new project, focus on early-stage drug inquiry, verification, evaluation, license-in, and cooperative development, and use scientific technology to develop and validae the best clinical candidates to reduce development risks and accelerate the license-in and development.

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

(1) Director

① Director

Apr 27, 2019,Unit: share:%

Title/ Name	Nationality or Place of Registration	Gender	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Lin, Chuan	R.O.C.	Male	2018.11.22	3 years	2018.11.22	56,000	0.02	62,000	0.02	0	0	0	0	【Note 2】	【Note 2】
Vice Chairman Chang, Wen-Hwa	R.O.C.	Female	2018.11.22	3 years	1995.7.24	4,308,800	1.73	4,308,800	1.73	0	0	0	0	【Note 2】	【Note 2】
Director Dawan Technology Company Limited.	R.O.C.		2018.11.22	3 years	1995.7.24	22,123,732	8.90	22,590,732	9.09	0	0	0	0	【Note 2】	【Note 2】
Representative: Carl Hsiao 【Note1】	U.S.A.	Male			2019.3.26	881,712	0.35	881,712	0.35	0	0	0	0		
Director Yang, Tze-Kaing	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	300,000	0.12	【Note 2】	【Note 2】
Director Chang, Hsiu-Chi	R.O.C.	Male	2018.11.22	3 years	2016.6.24	2,143,686	0.86	1,943,686	0.78	2,772,062	1.11	0	0	【Note 2】	【Note 2】
Director Liao, Ying-Ying	R.O.C.	Female	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 2】	【Note 2】

Title/ Name	Nationality or Place of Registration	Gender	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Tsai, Duei	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 2】	【Note 2】
Independent Director Hsueh, Ming-Ling	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 2】	【Note 2】
Independent Director Lin, Tien-Fu	R.O.C.	Male	2018.11.22	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note 2】	【Note 2】

Note1: On March 26, 2019, Mr. Carl Hsiao was appointed as the new representative of Dawan Technology Company Limited. in place of Mr. Hsiao, Ying-Chun.
Note 2: Main Education & Experience and Current Positions at TTY and Other Company as below:

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company	
Chairman Lin, Chuan	Ph.D., Economics, University of Illinois at Urbana-Champaign, USA	Director	TTY Biopharm Mexico S.A DE C.V.
Vice Chairman Chang, Wen-Hwa	MBA of Manmos College	Director Director Director Director Director Director Supervisor Supervisor	Arich Investment Company Limited Xudonghaipu International Company Limited. American Taiwan Biopharma Philippines Inc. Worldco International Limited WorldCo Biotech Pharmaceutical Technology (Beijing) Limited TTY Biopharm Korea Co., Ltd. TTY Biopharm Mexico S.A DE C.V. EnhanX Inc.

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company	
Director Dawan Technology Company Limited. Representative: Carl Hsiao	Pharm D, University of the Pacific Thomas J Long School of Pharmacy MBA, University of the Pacific Eberhardt School of Business	Director Director Director	TSH Biopharm Company Limited American Taiwan Biopharm Co., Ltd. Dawan Technology Company Limited.
Director Yang, Tze-Kaing	MBA of University of Illinois at Urbana-Champaign Ph.D of Business Administration, National Chengchi University	Chairman Director and General Manager Director Director Director Independent Director Director Director Director Director	Yangtze Associates Huiyang Private Equity Fund Co., Ltd Chien Kuo Construction Co., LTD. Airiti Inc. Hon Yang Healthcare DBS Bank (Taiwan) Ltd. Pegatron Corporation Taiwan Stock Exchange Corporation Asustek Computer Inc. Hua-Cheng Capital Inc.
Director Chang, Hsiu-Chi	EMBA, National Taiwan University College of Management BS., School of Pharmacy, Taipei Medical University	Director Director Director Chairman Director Director Chairman Director Director	Xudonghaipu International Company Limited. Worldco International Limited WorldCo Biotech Pharmaceutical Technology (Beijing) Limited Yuan-Hwa Biotechnology Enterprise Company Limited Reber Genetics Company Limited. Asiacord Biotech(BVI) company Limited Yuen Hung Investment Company Limited KamZea Corporation Limited. TheVax Genetics Vaccine Company Limited
Director Liao, Ying-Ying	MBA, University of Missouri, USA	Director	cnYES.com Company Limited
Independent Director Tsai, Duei	Ph.D., Graduate Institute of Electrical Engineering, National Taiwan University	Independent Director Independent Director Independent Director	Compal Electronics, Inc. Taiwan Taxi Co., Ltd. Getac Technology Corporation

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company	
Independent Director Hsueh, Ming-Ling	MBA,Bloomsburg University, Pennsylvania, USA MS., Graduate Institute of Accounting, Soochow University	Independent Director Independent Director Independent Director Independent Director【Note】	Lite-On Technology Corp. Walsin Lihwa Corporation Yuanta Financial Holdings Yuanta Commercial Bank
Independent Director Lin, Tien-Fu	Center for Public Administration and Business Management Education, National Chengchi University,Accounting Training Common Accounting Group and Intermediate Accounting Group	Chairman Director	Yuanta Futures Co,Ltd. Yuanta Cultural & Educational Foundation

Note: Independent Director Hsueh, Ming-Ling was designated by Yuanta Financial Holding Co., Ltd. as an independent director for Yuanta Commercial Bank Co., Ltd. According to requirements prescribed in Jin-Guan-Zen-Yi-Tze No. 0960010070 order dated March 19th, 2007, cases of financial holding company's independent director also serve as an independent director for a listed subsidiary which is 100% held by the company shall not be regarded as one company. Subsidiary company with such assumption of duties shall not be counted in the number of "other" listed companies with such independent director prescribed in Article 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"

② Major Shareholders of Institutional Shareholders

Apr 27, 2019

Name of Institutional Shareholder	Name of Major Shareholders
Dawan Technology Company Limited.	Hsiao, Yu-Bin（35.29%）, Hsiao, Ying-Chun（27.93%）, Li-Yuan Welfare Charitable Trust (11.03), Wu, Yong-Liang（10.10%）, Xu,Mei-Qin（9.99%）, Hsiao, Chia-Yu（(3.11%）, Carl Hsiao（2.55%）

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

④ **Professionalism and Independence of Directors and**

Apr 27, 2019

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

Note 1:Independent Director Hsueh, Ming-Ling was designated by Yuanta Financial Holding Co., Ltd. as an independent director for Yuanta Commercial Bank Co., Ltd. According to requirements prescribed in Jin-Guan-Zen-Yi-Tze No. 0960010070 order dated March 19th, 2007, cases of financial holding company's independent director also serve as an independent director for a listed subsidiary which is 100% held by the company shall not be regarded as one company. Subsidiary company with such assumption of duties shall not be counted in the number of "other" listed companies with such independent director prescribed in Article 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"

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

(1) Neither an employee of the company nor the affiliated companies.

(2) Not a director/supervisor of the Company or any of its affiliates (unless he/she serves as an independent director of the Company/parent company of the Company or any subsidiaries as regulatory by this or local governing body.).

(3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.

(4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the fifth degree of consanguinity of any person indicated in the foregoing three categories.

(5) Not a member of the board, supervisor, or employee of institutional shareholders directly holding more than 5% of the company issued total shares, or a member of board, supervisor, or employee of the first five institutional shareholders.

(6) Not a member of the board, supervisor, manager of a company or institution that has financial or business interaction with the Company. Or, not a shareholder that hold more than 5% of the outstanding shares of the said company or institution.

(7) Not a professionals, sole proprietorship profit-seeking enterprise, or partnership that provides commercial, legal, financial or accounting service to the Company or to any affiliate of the Company; not a owner, partner, director, supervisor or manager of a company or institution that provides commercial, legal, financial or accounting service to the Company or to any affiliate of the Company; or not the spouse of any of the above persons. However, the Compensation Committee members who exercise job responsibilities in accordance with Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" are not subject to the requirement.

(8) Neither the spouse of any other director of the Company nor the relative with the second degree of kinship of any other director of the Company.

(9) Not subject to any condition under Article 30 of the Company Law.

(10) Not elected as director in the capacity of the government, legal person, or the representative thereof in accordance with Article 27 of the Company Law.

(2) Information of Management Team

Apr 27, 2019; Unit: share; %

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
					Shares	%	Shares	%	Shares	%		
General Manager	R.O.C.	Hsiao, Ying-Chun	Male	2018.01.15	4,985,524	2.01	0	0	0	0	【Note】	【Note】
Vice General Manager GM Office	R.O.C.	Wu, Hsueh-Liu	Male	1995.02.06	342,127	0.14	338,573	0.14	0	0	【Note】	【Note】
Vice General Manager, Pharmaceutical Development Center	R.O.C.	Hu, Yu-Fang	Male	2003.12.01	6,607	0	813	0	0	0	【Note】	【Note】
Vice General Manager, Manufacturing Center	R.O.C.	Liu, Chih-Ping	Male	2001.02.01	0	0	0	0	0	0	【Note】	【Note】
Vice General Manager, Oncology Business Unit	R.O.C.	Shi, Jun-Liang	Male	2017.05.03	12,000	0	0	0	0	0	【Note】	【Note】
Vice General Manager, Intensive Care Business Unit	R.O.C.	Qu, Zhi-Yuan	Male	2017.05.03	0	0	0	0	0	0	【Note】	【Note】
Vice General Manager, Healthcare Unit	R.O.C.	Wu, Yong-Liang	Male	1989.01.01	2,085	0	0	0	0	0	【Note】	【Note】

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
					Shares	%	Shares	%	Shares	%		
Vice General Manager, Administration Center	R.O.C.	Chang, Chih-Meng	Male	2017.05.03	1,192	0	434,158	0.17	0	0	【Note】	【Note】
Senior Assist Vice President and Financial Officer, Financial Division,	R.O.C.	Chang , Kuo-Chiang	Male	2015.12.31	0	0	0	0	0	0	【Note】	【Note】
Senior Assist Vice President, Legal	R.O.C.	Lin, Jin-Rong	Male	2017.11.03	0	0	0	0	0	0	【Note】	【Note】
Senior Assist Vice President, Administration Center	R.O.C.	Liu, Nai-Wei	Female	2018.12.04	0	0	0	0	0	0	【Note】	【Note】
Assist Vice President, General Affairs	R.O.C.	Tseng , Chu-Lan	Female	2006.01.11	0	0	0	0	0	0	【Note】	【Note】
Assist Vice President, Pharmaceutical Development Center	R.O.C.	Cai, Shi-Hua	Male	2013.04.01	3,000	0	0	0	0	0	【Note】	【Note】
Assist Vice President, Zhongli Factory	R.O.C.	Xie, Cong-Yong	Male	2015.01.01	0	0	15,283	0.01	0	0	【Note】	【Note】
Assist Vice President, Lioudu Factory	R.O.C.	Xu, Jian-Yu	Male	2013.04.01	0	0	0	0	0	0	【Note】	【Note】
Assist Vice President, Healthcare Unit	R.O.C.	Jian, Chong-Guang	Male	2015.05.11	0	0	0	0	0	0	【Note】	【Note】

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings		Current Shareholding of Spouse and Minor Children		Shareholdings in the Names of Others		Main Education & Experience	Current Positions at TTY and Other Company
					Shares	%	Shares	%	Shares	%		
Assist Vice President, GM Office	R.O.C.	Wu, Wen-Hua	Male	2015.10.01	23,000	0.01	2,524	0	0	0	【Note】	【Note】
Assist Vice President, GM Office	R.O.C.	Wu, Ruei-Wen	Male	2018.04.01	0	0	0	0	0	0	【Note】	【Note】
Assist Vice President, GM Office	R.O.C.	Yin, Wei-Ying	Female	2018.10.01	0	0	3,161	0	0	0	【Note】	【Note】
Accounting Officer	R.O.C.	Wang, Shu-Wen	Female	2015.08.13	0	0	0	0	0	0	【Note】	【Note】

Note: Main Education & Experience and Current Positions at TTY and Other Company as below:

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company	
General Manager	Hsiao, Ying-Chun	BS., School of Pharmacy, Taipei Medical University	Chairman Chairman Director Director Chairman Director Chairman Director Chairman Chairman	Dawan Technology Company Limited. Xudonghaipu International Company Limited. American Taiwan Biopharm Co., Ltd. American Taiwan Biopharma Philippines Inc. Worldco International Limited WorldCo Biotech Pharmaceutical Technology (Beijing) Limited Worldco Biotech(Chengdu) Pharmaceutical Ltd. EnhanX Inc. TTY Biopharm Korea Co., Ltd. TTY Biopharm Mexico S.A DE C.V.
Vice General Manager GM Office	Wu, Hsueh-Liu	BS, Department of Banking and Insurance, Chihlee College of Business	Director Director Director Director Supervisor Director Chairman	Xudonghaipu International Company Limited. American Taiwan Biopharm Co., Ltd. American Taiwan Biopharma Philippines Inc. Gligio International LTD. Worldco Biotech(Chengdu) Pharmaceutical Ltd. Worldco International Limited WorldCo Biotech Pharmaceutical Technology (Beijing) Limited
Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	PhD., Graduate Programs of College of Pharmacy and Health Sciences, ST. John's University	Chairman	EnhanX Inc.
Vice General Manager, Manufacturing Center	Liu, Chih-Ping	MBA, University of Leicester,UK		
Vice General Manager, Oncology Business Unit	Shi, Jun-Liang	BS., School of Pharmacy, Taipei Medical University	Supervisor	TTY Biopharm Korea Co. Ltd.

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company
Vice General Manager, Intensive Care Business Unit	Qu, Zhi-Yuan	MS, Royal Roads University	
Vice General Manager, Healthcare Unit	Wu, Yong-Liang	BS., School of Pharmacy, Taipei Medical University	Supervisor Dawan Technology Company Limited
Vice General Manager, Administration Center	Chang, Chih-Meng	BS., Department of Electrical Engineering, National Taiwan University	Director American Taiwan Biopharm Philippines Inc. Chairman TSH Biopharm Company Limited
Senior Assist Vice President and Financial Officer, Financial Division,	Chang , Kuo-Chiang	MS, College of Management, National Taiwan University	Director TTY Biopharm Mexico S.A DE C.V.
Senior Assist Vice President, Legal	Lin, Jin-Rong	MS, Undergraduate Program, Department of Law, National Chung Hsing University MS, Undergraduate Program, Department of Law, University of Washington, USA	Director PharmaEngine, Inc
Senior Assist Vice President,, Administration Center	Liu, Nai-Wei	MBA, Department of Business Administration, National Central University	
Assist Vice President, General Affairs	Tseng , Chu-Lan	MBA, University of Leicester, UK	
Assist Vice President, Pharmaceutical Development Center	Cai, Shi-Hua	PhD., Department of Biological Science and Technology, National Chiao Tung University	

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company
Assist Vice President, Zhongli Factory	Xie, Cong-Yong	BS., Department of Aquaculture, National Taiwan Ocean University	
Assist Vice President, Lioudu Factory	Xu, Jian-Yu	BS., School of Pharmacy, Taipei Medical University	
Assist Vice President, Healthcare Unit	Jian, Chong-Guang	BS., Department of Business Administration, Tamkang University	
Assist Vice President, GM Office	Wu, Wen-Hua	MS. Department of Industrial Management, National Taiwan University of Science and Technology	
Assist Vice President, GM Office	Wu, Ruei-Wen	MS, Institute of Interdisciplinary Studies for Social Sciences,, Chinese Culture University	Director PharmaEngine, Inc Director CY Biotech Company Limited
Assist Vice President, GM Office	Yin, Wei-Ying	BS, Department of Politics, Tunghai University	
Accounting Officer	Wang, Shu-Wen	BS, Department of Accounting, Soochow University	

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

① Payment of Remuneration to Director

Unit: NT$ Thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration</th><th colspan="2">Ratio Of Total Remuneration (A+B+C+D) To Net Income (%)</th></tr>
<tr><th colspan="2">Base Remuneration (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus To Directors (C)</th><th colspan="2">Allowances (D)</th><th colspan="2"></th></tr>
<tr><th>The Company</th><th>All Companies In The Consolidated Financial Statements</th><th>The Company</th><th>All Companies In The Consolidated Financial Statements</th><th>The Company</th><th>All Companies In The Consolidated Financial Statements</th><th>The Company</th><th>All Companies In The Consolidated Financial Statements</th><th>The Company</th><th>All Companies In The Consolidated Financial Statements</th></tr>
<tr><td>Chairman</td><td>Lin, Chuan</td><td rowspan="10">16,532</td><td rowspan="10">16,532</td><td rowspan="10">9</td><td rowspan="10">9</td><td rowspan="10">14,950</td><td rowspan="10">14,950</td><td rowspan="10">715</td><td rowspan="10">735</td><td rowspan="10">2.20</td><td rowspan="10">2.21</td></tr>
<tr><td>Vice Chairman</td><td>Chang, Wen-Hwa</td></tr>
<tr><td>Director</td><td>Dawan Technology Co. Ltd.
Representative: Carl Hsiao
Ex-representative:
Hsiao, Ying-Chun</td></tr>
<tr><td>Director</td><td>Yang, Tze-Kaing</td></tr>
<tr><td>Director</td><td>Chang, Hsiu-Chi</td></tr>
<tr><td>Director (Previously selected)</td><td>Tseng, Tien-Szu</td></tr>
<tr><td>Director</td><td>Liao, Ying-Ying</td></tr>
<tr><td>Independent Director</td><td>Tsai, Duei</td></tr>
<tr><td>Independent Director</td><td>Hsueh, Ming-Ling</td></tr>
<tr><td>Independent Director</td><td>Lin, Tien-Fu</td></tr>
</table>

Title	Name	Relevant Remuneration Received By Directors Who Are Also Employees								Ratio Of Total Compensation (A+B+C+D+E+F+G) To Net Income (%)		Remuneration From The Reinvested Companies Other Than The Company's Subsidiaries
		Salary, Bonuses, And Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All Companies In The Consolidated Financial Statements	The Company	All Companies In The Consolidated Financial Statements	The Company		All Companies In The Consolidated Financial Statements		The Company	All Companies In The Consolidated Financial Statements	
						Cash	Stock	Cash	Stock			
Chairman	Lin, Chuan	2,192	2,192	0	0	0	0	0	0	2.35	2.36	0
Vice Chairman	Chang, Wen-Hwa											
Director	Dawan Technology Co. Ltd. Representative: Carl Hsiao Ex-representative: Hsiao, Ying-Chun											
Director	Yang, Tze-Kaing											
Director	Chang, Hsiu-Chi											
Director (Previously selected)	Tseng, Tien-Szu											
Director	Liao, Ying-Ying											
Independent Director	Tsai, Duei											
Independent Director	Hsueh, Ming-Ling											
Independent Director	Lin, Tien-Fu											

Note：

1. Dawan Technology Company Limited changed its representative to Mr. Lin, Chuan on Jan. 15, 2018.
2. On November 22, 2018, a new board was elected in an extraordinary shareholders' meeting. Mr. Tseng, Tien-Szu stepped down as director and Mr. Lin, Chuan was elected a natural person director. Mr. Lin, Chuan was subsequently appointed Chairman as per board resolution on November 22, 2018.
3. On March 26, 2019, Mr. Carl Hsiao was appointed as the new representative of Dawan Technology Company Limited. in place of Mr. Hsiao, Ying-Chun.

Remuneration Bracket

Unit: NT$ Thousand

Compensation Paid to each Director	Name of Director			
	The accumulated amount from the above-mentioned four categories (A+B+C+D)		The accumulated amount from the above-mentioned seven categories (A+B+C+D+E+F+G)	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Less than NT$2,000,000	Hsiao, Ying-Chun	Hsiao, Ying-Chun	Hsiao, Ying-Chun	Hsiao, Ying-Chun
NT$2,000,000 ~ NT$5,000,000	Dawan Technology Co. Ltd. /Chang, Wen-Hwa /Yang, Tze-Kaing /Chang, Hsiu-Chi /Liao, Ying-Ying/Tsai, Duei / Hsueh, Ming-Ling /Lin, Tien-Fu	Dawan Technology Co. Ltd. /Chang, Wen-Hwa /Yang, Tze-Kaing /Chang, Hsiu-Chi /Liao, Ying-Ying/Tsai, Duei / Hsueh, Ming-Ling /Lin, Tien-Fu	Dawan Technology Co. Ltd. /Chang, Wen-Hwa /Yang, Tze-Kaing /Chang, Hsiu-Chi /Liao, Ying-Ying/Tsai, Duei / Hsueh, Ming-Ling /Lin, Tien-Fu	Dawan Technology Co. Ltd. /Chang, Wen-Hwa /Yang, Tze-Kaing /Chang, Hsiu-Chi /Liao, Ying-Ying/Tsai, Duei / Hsueh, Ming-Ling /Lin, Tien-Fu
NT$5,000,000 ~ NT$10,000,000	Lin, Chuan/Tseng, Tien-Szu	Lin, Chuan/Tseng, Tien-Szu	Lin, Chuan/Tseng, Tien-Szu	Lin, Chuan/Tseng, Tien-Szu
NT$10,000,000 ~ NT$15,000,000				
NT$15,000,000 ~ NT$30,000,000				
NT$30,000,000 ~ NT$50,000,000				
NT$50,000,000 ~ NT$100,000,000				
More than NT$100,000,000				
Total	11	11	11	11

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

② **Remuneration of General Manager and Vice General Manager**

Unit: NT$ Thousand

Title	Name	Salary (A)		Severance pay and Pension (B)		Bonus and Special Allowance (C)	
		The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
General Manager	Hsiao, Ying-Chun	21,470	22,190	643	643	15,588	15,774
Vice General Manager	Wu, Hsueh-Liu						
Vice General Manager	Wu, Yong-Liang						
Vice General Manager	Liu, Chih-Ping						
Vice General Manager	Hu, Yu-Fang						
Vice General Manager	Chang , Chih-Meng						
Vice General Manager	Shi, Jun-Liang						
Vice General Manager	Qu, Zhi-Yuan						

Title	Name	Employee Bonus Amount from Earnings Distribution (D)				The total of A+B+C+D / Net Income Ratio (%)		Remuneration from the Reinvested Companies other than the Company's Subsidiaries
		The Company		All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	
		Cash	Stock	Cash	Stock			
General Manager	Hsiao, Ying-Chun	7,085	0	7,085	0	3.06	3.13	0
Vice General Manager	Wu, Hsueh-Liu							
Vice General Manager	Wu, Yong-Liang							
Vice General Manager	Liu, Chih-Ping							
Vice General Manager	Hu, Yu-Fang							
Vice General Manager	Chang , Chih-Meng							
Vice General Manager	Shi, Jun-Liang							
Vice General Manager	Qu, Zhi-Yuan							

Remuneration Bracket

The Remuneration Bracket for General Manager and Vice General Manager of the Company	Name of General Manager and Vice General Manager	
	The Company	All Companies in the Consolidated Financial Statements
Less than NT$2,000,000	Hsiao, Ying-Chun	Hsiao, Ying-Chun
NT$2,000,000 ~ NT$5,000,000	Wu, Yong-Liang/Wu, Hsueh-Liu /Chang, Chih-Meng	Wu, Yong-Liang/Wu, Hsueh-Liu
NT$5,000,000 ~ NT$10,000,000	Hu, Yu-Fang/Liu, Chih-Ping /Shi, Jun-Liang/Qu, Zhi-Yuan	Hu, Yu-Fang/Liu, Chih-Ping /Shi, Jun-Liang/Qu, Zhi-Yuan /Chang , Chih-Meng
NT$10,000,000 ~ NT$15,000,000		
NT$15,000,000 ~ NT$30,000,000		
NT$30,000,000 ~ NT$50,000,000		
NT$50,000,000 ~ NT$100,000,000		
More than NT$100,000,000		
Total	8	8

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

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

Dec 31, 2018:Unit: NT$ Thousand

	Title	Name	Amount of stock dividend	Amount of cash dividend	Total	% of Total Amount against Net Income
Managerial Officers	General Manager	Hsiao, Ying-Chun	0	15,620	1	1.07
	Vice General Manager	Wu, Hsueh-Liu				
	Vice General Manager	Wu, Yong-Liang				
	Vice General Manager	Hu, Yu-Fang				
	Vice General Manager	Liu, Chih-Ping				
	Vice General Manager	Chang , Chih-Meng				
	Vice General Manager	Shi, Jun-Liang				
	Vice General Manager	Qu, Zhi-Yuan				
	Senior Vice President	Yang, Si-Yuan				
	Senior Vice President and Financial Officer	Chang , Kuo-Chiang				
	Senior Vice President	Lin, Jin-Rong				
	Senior Vice President	Liu, Nai-Wei				
	Vice President	Tseng , Chu-Lan				
	Vice President	Cai, Shi-Hua				
	Vice President	Xu, Jian-Yu				
	Vice President	Xie, Cong-Yong				
	Vice President	Jian, Chong-Guang				
	Vice President	Wu, Wen-Hua				
	Vice President	Wu, Ruei-Wen				
	Vice President	Yin, Wei-Ying				
	Accounting Officer	Wang, Shu-Wen				

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

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

	2018(%)	2017(%)
The Company	5.42	5.06
All companies in the consolidated financial statements	5.48	5.11

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

Remuneration to directors shall comply with Article 25 of the Company's Articles of Incorporation. In the event of director's performing of the Company's duties, the Company may pay remuneration accordingly regardless if there is a profit or loss in revenue. Such remuneration shall be determined by the Board of Directors' Meeting in accordance with levels of contribution and participation in the Company's business as well as references from normal standards in the industry. Pursuant to Article 21 of the "Articles of Incorporation," no more than 2% shall be appropriated as director remuneration in the event that the Company makes profit during a given year. With respect to the setting of director compensation, the Company conducts performance review on individuals and the Board Meeting as a whole based on "Performance Assessment Guidelines for Board of Directors' Meeting and functional committees," and the Company's overall operation performance is also utilized as an assessment basis before reasonable compensation is offered accordingly.

Base salary and allowances for the Company's general manager and assistant general manager are established in accordance with the Company's compensation establishment guidelines. Meanwhile, average levels offered in this industry as well as contribution to the Company's operation goal are also taken for references. With respect to distribution of bonus, assessments are made based on the Company's overall operation performance-linked KPI achievement rates for departments and individuals. In the meantime, personal duty performance is taken as a reference in offering reasonable compensations.

Distribution of bonus is based on consideration of the Company's overall operation performance and personal performance's contribution to the Company's performance.

3. Implementation of corporate governance

(1) Information for the Board of Directors

The meeting of Board of Directors has been held for 14 times in the current year and the attendance status of the directors is listed below:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Chairman	Lin, Chuan	13		100.00	Selected Again Selection was conducted on Nov. 22, 2018
Vice Chairman	Chang, Wen-Hwa	12	1	85.71	Selected Again Selection was conducted on Nov. 22, 2018
Director	Dawan Technology Company Limited. Representative: Hsiao, Ying-Chun	2	1	66.67	Selected Again Selection was conducted on Nov. 22, 2018
Director	Yang, Tze-Kaing	13	1	92.86	Selected Again Selection was conducted on Nov. 22, 2018
Director	Chang, Hsiu-Chi	12	2	85.71	Selected Again Selection was conducted on Nov. 22, 2018
Director	Tseng, Tien-Szu	12		100.00	Selected Again Selection was conducted on Nov. 22, 2018
Director	Liao, Ying-Ying	12	2	85.71	Selected Again Selection was conducted on Nov. 22, 2018
Independent Director	Tsai, Duei	13	1	92.86	Selected Again Selection was conducted on Nov. 22, 2018
Independent Director	Hsueh, Ming-Ling	14		100.00	Selected Again Selection was conducted on Nov. 22, 2018
Independent Director	Lin, Tien-Fu	13	1	92.86	Selected Again Selection was conducted on Nov. 22, 2018

Note：

1. Dawan Technology Company Limited changed its representative to Mr. Lin, Chuan on Jan. 15, 2018.
2. On November 22, 2018, a new board was elected in an extraordinary shareholders' meeting. Mr. Tseng, Tien-Szu stepped down as director and Mr. Lin, Chuan was elected a natural person director. Mr. Lin, Chuan was subsequently appointed Chairman as per board resolution on November 22, 2018.
3. On March 26, 2019, Mr. Carl Hsiao was appointed as the new representative of Dawan Technology Company Limited. in place of Mr. Hsiao, Ying-Chun.

Other matters to be disclosed:

A. In the event of one of the followings from the Board of Director's Meeting operation, date of Board of Directors' Meeting, term, proposals, all opinions of the independent directors and how the company handles it should be noted:
   (a) Matters prescribed in Article 14-3 of Securities and Exchange Act .
   (b) With the exception of aforementioned matters, dissent or reservation which have been documented and with statements in writing over other Board of Directors' Meeting resolutions.

Board of Directors' Meeting Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-3 of Securities & Exchange Act	Dissent or Reservation by Independent Director
Jan.15,2018 1st Meeting for 2018 (18th Meeting for Former Session)	1. Sharing of IT services and service expenses between a joint venture and this Company.	✓	
	2.Authorization of a investee as an agent and transfer price changes.	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result: Approved unanimously as proposed by all attending directors except Director Hsiao, Ying-Chun who recused himself due to a conflict of interest		
Feb. 05,2018 4th Meeting for 2018 (21th Meeting for Former Session)	1.Deliberation of 2018 Chairman compensation.	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result: Approved unanimously as proposed by all attending directors except Chairman Lin, Chuan who recused himself due to a conflict of interest		
Mar.29,2018 5th Meeting for 2018 (22th Meeting for Former Session)	1.Total employee and director compensation and individual compensation for directors in 2017	✓	
	2.Formulation of the 2017 Internal Control Statement	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result: The first resolution was approved unanimously as proposed by all attending directors except Vice Chairman Chang, Wen-Hwa, Director Yang, Tze-Kaing, Director Chang, Hsiu-Chi, Director Tseng, Tien-Szu and Director Liao, Ying-Ying who recused himself/herself due to a conflict of interest; the second resolution was approved unanimously as proposed by all attending directors		
May 14,2018 6th Meeting for 2018 (23th Meeting for Former Session)	1.Requested authorization of the chairman to dispose of a investee shares	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result:		

Board of Directors' Meeting Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-3 of Securities & Exchange Act	Dissent or Reservation by Independent Director
	This is approved by all attending directors.		
Aug.13,2018 8th Meeting for 2018 (25th Meeting for Former Session)	1.Amendment of the investee agreement between the Company and its partner	✓	
	2. Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result: The first resolution was approved unanimously as proposed by all attending directors；The second resolution was approved unanimously as proposed by all attending directors except Vice Chairman Chang, Wen-Hwa who recused herself due to a conflict of interest.		
Sep.17,2018 9th Meeting for 2018 (26th Meeting for Former Session)	1. Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result: Approved unanimously as proposed by all attending directors except Vice Chairman Chang, Wen-Hwa who recused herself due to a conflict of interest.		
Oct. 26,2018 11th Meeting for 2018 (28th Meeting for Former Session)	1.Lifting of non-competition restrictions for newly appointed directors and their representatives	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result: Vice Chairman Chang, Wen-Hwa, Director Yang, Tze-Kaing, Director Liao, Ying-Ying, Director Hsueh, Ming-Ling and Director Lin, Tien-Fu recused himself/herself from the discussions and resolution on the lifting of non-competition restrictions which was approved unanimously as proposed by all other directors in attendance		
Nov.14,2018 12th Meeting for 2018 (29th Meeting for Former Session)	1.2018 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		
	Resolution result: This is approved by all attending directors.		
Dec.24,2018 14th Meeting for 2018 (2nd Meeting for This Session)	1.Planned authorization of a investee as an agent for drugs manufactured by the Company	✓	
	2.Planned revision of the internal control system of the Company	✓	
	3.Planned formulation of the 2019 Audit Plan	✓	
	4.Dismissal of the audit officer due to position adjustment	✓	
	Independent director's opinion: Nil		
	Company's feedback of independent director's opinion: Nil		

Board of Directors' Meeting Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-3 of Securities & Exchange Act	Dissent or Reservation by Independent Director
	Resolution result: The first resolution was approved unanimously as proposed by all attending directors except Director Hsiao, Ying-Chun, who recused himself due to a conflict of interest; the second to the forth resolutions were approved unanimously as proposed by all attending directors.		

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

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
Jan. 15, 2018	Hsiao, Ying-Chun	Authorization of a investee as an agent and transfer price changes.	Director of the Company is a director for invested company.	The director recused himself from the voting due to a conflict of interest.
Feb.05, 2018	Lin, Chuan	Deliberation of 2018 chairman compensation	Discussion of chairman compensation	The chairman recused himself from the voting due to a conflict of interest.
Mar.29, 2018	Chang, Wen-Hwa Yang, Tze-Kaing Chang, Hsiu-Chi Tseng, Tien-Szu Liao, Ying-Ying	Total employee and director compensation and individual compensation for directors in 2017	Compensation Distribution for Director	The aforementioned directors recused themselves from the voting due to a conflict of interest.
Aug.13, 2018	Chang, Wen-Hwa	Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company	The Company's vice chairman is re-invested company's director representative and receives compensation for performing re-invested company director's duties.	The vice chairman recused himself from the voting due to a conflict of interest.
Sep.17, 2018	Chang, Wen-Hwa	Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company	The Company's vice chairman is re-invested company's director representative and receives compensation for performing re-invested company director's duties.	The vice chairman recused himself from the voting due to a conflict of interest.
Oct.26, 2018	Chang, Wen-Hwa Yang, Tze-Kaing	Lifting of non-competition restrictions for newly	The aforementioned directors were nominated as	The aforementioned directors recused themselves from the

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
	Chang, Hsiu-Chi Liao, Ying-Ying Tsai, Duei Hsueh, Ming-Ling Lin, Tien-Fu	appointed directors and their representatives	candidates for the board election in the first extraordinary shareholders' meeting in 2018. A request was submitted to the shareholders' meeting to lift the non-competition restrictions	voting on the lifting of non-competition restrictions
Dec.24, 2018	Hsiao, Ying-Chun	Planned authorization of a investee as an agent for drugs manufactured by the Company	Director of the Company is a director for invested company.	The director recused himself from the voting due to a conflict of interest.

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

(1) On June 24, 2016, the Company established Audit Committee which is responsible for performing supervisor's duties prescribed in related laws and regulations.

(2) For the purpose of enhancing information transparency, the Company voluntarily makes monthly announcement of consolidated income statement in addition to announcements of material information and monthly revenue prescribed by laws.

(3) To fulfill corporate governance and enhance Board of Directors' Meeting functions, performance goal has been established to enhance Board of Directors' Meeting operation efficiency. "Performance Assessment Guidelines for Board of Directors' Meeting and functional committees" was drafted on December 29, 2016. Performance assessments over Board of Directors' Meeting and functional committees has been conducted accordingly and assessment results have been submitted to the Board of Directors' Meeting.

(4) To enhance corporate governance capability and develop enterprise functions, and in addition to aggressive arrangements of learning lessons for directors in accordance with director learning hours required by competent authority, directors will also be arranged to visit factory and receive briefings on the Company's products and main businesses in order to enhance their professional knowledge and skills.

(5) A corporate governance supervisor who is responsible for the handling of director requirements and provides timely and effective assistance to directors in the performance of their duties was appointed on March 26, 2019

(6) The official website of this company fully discloses governance related information.

(2) Function of Audit Committee

The Audit Committee is comprised of the three independent directors. Its duties and responsibilities include the deliberation of financial statements, internal control and internal audits, acquisition or disposal of material assets or derivative trading, lending of capital, endorsements or guarantees, placement or issue of securities, legal compliance, potential insider trading and conflicts of interest of managers and directors, malpractice survey reports, risk management of the Company, CPA appointment, dismissal, or remuneration, and appointment and dismissal of finance, accounting, or internal audit officers. In 2018, Audit Committee operations can be summarized as follows:

① Attendance record of independent directors in Audit Committee meetings

The meeting of Audit Committee has been held for 9 times in 2018 and the attendance status of the Independent directors is listed below:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Independent Director	Tsai, Duei	9	0	100.00	Selected Again Selection was conducted on Nov. 22, 2018
Independent Director	Hsueh, Ming-Ling	9	0	100.00	Selected Again Selection was conducted on Nov. 22, 2018
Independent Director	Lin, Tien-Fu	9	0	100.00	Selected Again Selection was conducted on Nov. 22, 2018

② Audit Committee deliberations

In 2018, the committee deliberated a total of 16 proposals in the following nine categories:

(1) Matters involving conflicts of interest of directors
(2) Business report, earning distribution statement, and financial statements
(3) Material assets and commercial transactions
(4) CPA independence, appointment, and remuneration
(5) Amendment of important rules and regulations
(6) Amendment of the internal control system
(7) Evaluation of internal control system effectiveness
(8) Appointment and dismissal of internal auditing officers
(9) Proposals pertaining to financial accounting and reinvestment management

③ Key tasks of the Audit Committee

(1) Review of financial reports

The board of directors has compiled and submitted the Company's 2018 Business Report, Financial Statement (including the Consolidated Financial Statement), and the earnings distribution proposal. The Financial Statement (including the Consolidated Financial Statement) has already been audited by two CPAs (Tseng, Kuo-Yang and Chi, Shi-Qin) of KPMG Taiwan and an audit report has been issued. The aforementioned reports and statements have been audited and verified by the Audit Committee.

(2) Evaluation of the effectiveness of the internal control system

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

(3) CPA appointment

The Audit Committee assesses the independence and qualifications of CPAs with reference to Article 47 of the Certified Public Accountant Act and Statement No.10 on the code of professional ethics for accountants. Independence qualifications encompass the individual independence of the accounting firm and all its members which includes policies and procedures pertaining to business relations with customers, accountant rotation system, and non-auditing services. Conformity to independence criteria and competency qualifications of the three accountants in charge of audits of the financial statements and profit-seeking enterprise income tax (Mr. Tseng, Kuo-Yang, Chi, Shi-Qin, and Ms. Chang, Chih from KPMG Taiwan) was reviewed by the Audit Committee in the 7^{th} meeting of the 1^{st} session in 2018 on November 14, 2018 and approved by board resolution in the 12^{th} meeting of the board on November 14, 2018.

(4) 2018 committee operations

Broad of Directors Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by 2/3 or more of all directors
Jan.15,2018 1^{st} Meeting for 2018 (18^{th} Meeting for Former Session)	1. Sharing of IT services and service expenses between a joint venture and this Company	✓	
	2.Authorization of a investee as an agent and transfer price changes.	✓	
	Result from Audit Committee's resolution (Jan. 15, 2018):Amended transaction terms approved unanimously as proposed by all committee members in attendance		
	The Company's handling of Audit Committee's opinions: Approved unanimously as proposed by all attending directors except Chairman Hsiao, Ying-Chun, who recused himself due to a conflict of interest		
Feb. 05,2018 4^{th} Meeting for 2018 (21^{th} Meeting for Former Session)	1.Pursuant to the newly adopted International Financial Reporting Standard 9, reclassification of equity instruments of available-for-sale financial assets as financial assets measured at fair value through other comprehensive income		
	Result from Audit Committee's resolution (Feb. 05, 2018): This is approved by all attending directors.		
	The Company's handling of Audit Committee's opinions: This is approved by all attending directors.		
Mar.29,2018 5^{th} Meeting for 2018 (22^{th} Meeting for Former Session)	1. 2017 Business Report and financial statements	✓	
	2. Planned formulation of Procedures for Ethical Corporate Management and Guidelines for Conduct		
	3. Formulation of the 2017 Internal Control Statement	✓	
	4. 2017 Earnings Distribution Proposal		
	Result from Audit Committee's resolution (Mar.29, 2018): This is approved by all attending directors.		
	The Company' s handling of Audit Committee' s opinions: This is approved by all attending directors.		
May 14,2018 6^{th} Meeting	1. Planned retention of earnings by a subsidiary		
	2. Requested authorization of the chairman to dispose of the	✓	

Broad of Directors Date Session	Proposals & Subsequent Handling	Matters Prescribed in Article 14-5 of Securities & Exchange Act	Resolution matters not approved by Audit Committee but resolved by 2/3 or more of all directors
for 2018 (23th Meeting for Former Session)	investee shares		
	Result from Audit Committee's resolution (May 14, 2018): This is approved by all attending directors.		
	The Company's handling of Audit Committee's opinions: This is approved by all attending directors.		
Aug.13,2018 8th Meeting for 2018 (25th Meeting for Former Session)	1.Amendment of the join venture agreement between the Company and its partner	✓	
	Result from Audit Committee's resolution (Aug.13, 2018):This is approved by all attending directors.		
	The Company's handling of Audit Committee's opinions: This is approved by all attending directors.		
Nov. 14,2018 12th Meeting for 2018 (29th Meeting for This Session)	1.2018 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees	✓	
	Result from Audit Committee's resolution (Nov. 14, 2018): This is approved by all attending directors.		
	The Company' s handling of Audit Committee's opinions: This is approved by all attending directors.		
Dec. 24,2018 14th Meeting for 2018 (2th Meeting for This Session)	1.Planned authorization of a investee as an agent for drugs manufactured by the Company	✓	
	2.Planned revision of the internal control system of the Company	✓	
	3.Planned formulation of the 2019 Audit Plan	✓	
	4.Dismissal of the audit officer due to position adjustment	✓	
	Result from Audit Committee's resolution (Dec. 24, 2018): This is approved by all attending directors.		
	The Company's handling of Audit Committee's opinions: The first resolution was approved unanimously as proposed by all attending directors except Director Hsiao, Ying-Chun, who recused himself due to a conflict of interest; the second resolution was approved unanimously as proposed by all attending directors.		

Other matters to be disclosed:

A. Matters Prescribed in Article 14-5 of Securities and Exchange Act, and agendas which were not approved by the Audit Committee but otherwise resolved by two thirds or more of all directors: Detailed description of 2018 Audit Committee operations

B. With respect to implementation of independent director's avoiding of conflict of interest resolutions, director's name, resolution contents, reason for avoidance and participation in voting should be prescribed accordingly: N/A.

C. Communications between independent director and internal audit head and accountant (This should include major issues, measures and results for communications over the Company's finance and business conditions.)

(a) Communication between Independent Director and chief internal auditor:
The internal audit officer reports audit operations to the independent directors in Audit Committee meetings and conducts annual conferences to discuss audit plans, communicate audit conditions, and report tracking execution and results to attending independent directors. Two-way communication is conducted by e-mail and phone as required. Please refer to the Company's website on details of such communications.

(b) Communication between Independent Director and CPAs of the Company:
CPAs appointed by the Company attend Audit Committee meetings on a quarterly basis to communicate the results of review and audits of financial statements issued by the Company and its subsidiaries, adjustment of entries, or impacts of accounting principle updates on financial statements. They also conduct annual conferences to discuss internal control audit conditions and independence related matters with independent directors. Please refer to the Company's website on details of such communications.

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

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

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

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
3. Composition and responsibility of Board of Directors (1)Does the Board of Directors develop diversified guidelines and implement execution in terms of member composition?	✓		(1)The Company established Board Meeting member diversification policy on Chapter Three "Enhancement of Board of Directors' Meeting Duty" of the "Corporate Governance Guidelines." Under requirements from the "Articles of Incorporation," selection of directors will all adopt candidate nomination system. Assessment will be conducted on individual candidate's academic background and experiences. "Director Election Requirements" and "Corporate Governance Guidelines" will be complied to ensure diversity and independence for director members. The current board of directors is comprised of nine directors. The two female directors and three independent directors account for 22.22% and 33.33% of the board membership, respectively. All independent directors have terms of office of three years or less. The board directors have professional experience in the fields of business, finance, accounting, and different industries. Chairman Lin, Chuan has abundant experience in the fields of industry, government, academics, and international relations. Vice Chairman Chang, Wen-Hua is highly familiar	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			with financial operations and risk management in the biotechnology industry. Director Carl Hsiao has served at CVS Health Pharmacy, an international retail pharmacy chain, for a long time and possesses professional competence in the fields of prescription management, clinical services, disease management programs, and retail pharmacy management. Director Yang,Tzu-Chiang served as President of CDIB Capital Group and Professor at Guanghua School of Management and National Chengchi University. He has professional expertise in the fields of investment and financial operations. Director Chang, Hsiu-Chi has experience in the fields of production, sales, HR, development, and finance in the biotechnology industry. Director Liao, Ying-Ying has been actively engaged in the international capital market for a long time and is highly familiar with financial operations and risk control. Independent director Tsai, Dui has concurrent positions as member of the Audit Committee and Chairman of the Remuneration Committee. He has experience in the fields of business management, industry, government, and academia. Independent director Hsueh, Ming-Ling concurrently serves as member of the Audit Committee and Remuneration Committee. She has served as head of PwC Taiwan and currently holds a	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			position as Executive Director of Taiwan Corporate Governance Association. Her areas of expertise include financial accounting, risk control, and corporate governance. Independent director Lin, Tien-Fu concurrently serves as member of the Audit Committee and Remuneration Committee and has over 25 years' experience in the securities industry. Board member diversification policy is disclosed on the Company's website and Market Observation Post System	
(2)Does the company also voluntarily establish other functional committee apart from the salary remuneration committee and audit committee?	✓		(2)The Company has not yet established other functional committees. The necessity of establishment of such committees will be reassessed in the future.	Except the fact that no other functional committees have yet been established, all regulations set forth in the Corporate Governance Best Practice Principles for TWSE/TPEx listed Companies are met
(3)Does the company develop Board of Directors Performance Assessment Guidelines and Evaluation Method in addition to conduct annual performance assessment?	✓		(3)On December 29, 2016, the Company established "Guidelines for Performance Assessment over Board of Directors' Meeting and functional committee," which stipulates that Board of Directors' Meeting performance assessment shall be conducted at least once each year. Assessment period is at the end of	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			each accounting year and performance assessment of that year shall be conducted in accordance with aforementioned guidelines. Assessment result shall be submitted to the first quarter Board of Directors' Meeting of next year. The Company completed 2018 performance assessment over Board of Directors' Meeting and functional committee on January, 2019 and assessment result was submitted to the Compensation Committee and the Board of Directors' Meeting on Mar.26, 2019. These performance assessment are disclosed on the Company's website.	
(4)Does the company routinely assess the independence of attesting CPA?	✓		(4)According to the Company's "Certified Accountant Selection Review Guidelines," assessment on certified accountant's independence and appropriateness shall be conducted at once each year. 2018 annual qualification review result was submitted to the Audit Committee and the Board of Directors' Meeting on Nov. 14, 2018 and was approved after review. Financial statement was audited by KPMG accountants Tseng, Kuo-Yang and Chi, Shi-Qin as well as profit enterprise income tax filing audit by accountant Chang, Chih have all been reviewed in line with accountant selection review chart (detailed in Chart 1) established by this Company. They all qualify for the Company's	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			requirements with respect to independence and adequacy. These three accountants also issue statements declaring their audits qualify for related independence requirements on accountant occupational ethics norms.	
4. Do TWSE/TPEx listed Companies establish corporate governance designated (part time) unit or personnel to take charge of corporate governance related matters (including but not limited to providing directors, supervisor with materials needed for their businesses, meeting related matters on holding Board of Directors' Meeting or Shareholders' Meeting as required by laws, conducting company registration and change of registration, establishment of meeting minutes for Board of Directors' Meeting or Shareholders' Meeting, and so on)?	✓		The appointment of Mr. Chang, Kuo-Chiang, Senior Assist Vice President of the Financial Division, as Corporate Governance Officer of the Company was approved by board resolution on March 26, 2019. CFO Chang was in charge of corporate governance related matters even prior to this appointment. He has over three years' experience and a sound professional background in accounting, financial operations and services, and management of relevant procedures for public companies. His main responsibility lies in the provision of key governance-related information which is required for the performance of board duties, implement Board of Directors' Meeting, Audit Committee and Shareholders' Meeting related matters in accordance with laws, to assist directors to comply with regulations and conduct matters such as change of company registration.. Business execution for 2018 is as follows: 1. Assistance to independent director and average director in duty performance, provision of materials needed and arrangement of learning courses for director:	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			(1) After the Company's announcement of material information, notify respective directors immediately via emails to ensure director's real-time awareness of the Company's material information. (2) Establish social media groups for the Board of Directors' Meeting to provide directors with the latest regulation modifications on biotechnology medical treatment, macro economy and corporate governance. Related industry information and corporate news are also provided as reference. (3) Review information confidentiality class in accordance with the Company's systematic document management guidelines, provide director with company information needed and assist to maintain smooth communication and exchange between respective management levels and directors. (4) In addition to irregular provision of learning unit's learning courses to director for reference as well as assistance in registration, three "home teaching" learning courses with a total of 9 hours are also conducted. (5) Arrange internal audit management and certified accountants to communicate with the Audit Committee and independent directors.	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			Additionally, assist in contacting and communicating with respective parties in the event that independent directors have needs for communication in other time. 2. Assist in meeting procedures and regulation compliance matters for the Board of Directors' Meeting, the Audit Committee and Shareholders' Meeting: (1) 2017 corporate governance assessment result was reported in the Board of Directors' Meeting dated May 14th, 2018. Non-executed corporate governance items were reviewed to enhance corporate governance capability l and strengthen corporate social responsibility. (2) Ensure the holding of the Company's Board of Directors' Meeting, Audit Committee and Shareholders' Meeting complies with related regulations and corporate governance guideline requirements. (3) Assist and remind directors of regulations to be complied with upon execution of business or making Board of Directors' Meeting or Audit Committee official resolutions, and make recommendations in the event that the Board of Directors' Meeting or the Audit Committee may make illegal resolution.	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			(4) Assist respective units in making proposal to the Board of Directors' Meeting. (5) Establish Board of Directors' Meeting and Audit Committee meeting agenda, send out notification within mandatory deadline to directors for holding meetings, provide meeting materials and send out meeting minutes, and offer advance reminding to directors in the event that meeting subject requires conflict of interest avoidance or is at risk of insider trading. (6) Conduct advance registration and report of various announcements prior to the date of Shareholders' Meeting in accordance with regulations, and send out meeting notices to shareholders within mandatory deadline. (7) Assist chairman in presiding Board of Directors' Meeting, Audit Committee meeting and Shareholders' Meeting for the purpose of smooth execution of the meeting. (8) After announcement of material information made by the Board of Directors' Meeting and Shareholders' Meeting, ensure legitimacy and accuracy of the critical information to protect balances of investor's trading information. 3. Maintain Investor Relationship: (1) Actively notify institutional investor of related	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			information after the Company's announcement of financial information. (2) Maintain interaction and communication with existing and potential shareholders which include domestic and offshore institutional investors, listen to suggestions and feedback to management for the purpose of maintaining shareholder's rights. (3) Participate in domestic and offshore investor meeting and investment forum (participations of total 6 times in 2018), and report the Company's financial business status and operation performance to investors to ensure in-depth understanding of the Company. 4. Conduct company change registration	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
5. Does the company establish communication channel with the stakeholders (including but not limited to shareholder, employee, customer and supplier), establish stakeholder section on the company website, and properly respond to the key corporate social responsibility issues concerned by the stakeholders?	✓		The Company has multiple communication channels in place for different operations. A stakeholder section has been created on the company website which lists issues of concern to stakeholders, communication channels, and communication frequency. The contact section lists e-mail addresses and phone numbers for the contacting of investors and plants as well as the reporting of adverse drug reactions (ADR). The goal lies in the sound handling of stakeholder affairs and maintenance excellent communication.	No discrepancies
6. Does the company commission professional registrar for handling of shareholder meeting affairs?	✓		The Company has commissioned the registrar agency department of Capital Securities Corp.	No discrepancies
7. Public information (1)Does the company establish website to disclose information on the financial operations and corporate governance? (2)Does the company adopt other information disclosure methods (i.e. establishing English website, assigning specialist to collect and disclose the corporate information, implement spokesperson system and displaying corporate website at investor meeting?	 ✓ ✓		 (1) The Company discloses information on financial operations and corporate governance on website. (2) The Company has established an English website and appointed a spokesperson and acting spokesperson. Specialists have been assigned to collect and disclose corporate information. Information related to investor meetings is also disclosed on the website.	 No discrepancies No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
8. Does the company hold significant information that helps understand the operation of corporate governance (including but not limited to employees' rights, care for employees, investor relations, vendor relations, stakeholders' equity, advanced study of directors and supervisor, execution of risk management policy and risk measurement standards, execution of customer policy, and company buying liability insurance for directors and supervisors)?	✓		(1) Care and rights of Employees: The Company has established an employee welfare committee, implements a pension plan, and provides fair employment opportunities. Various employee training programs and employee group insurance policy are also available and the Company schedules health checks on a regular basis. A large number of rights is better than the requirements set forth in the Labor Standards Act. In addition, the Company also provides diversified educational training programs (incl. orientation training, on-the-job training courses, professional courses, work safety courses, and other training courses related to work duties) for its employees to enhance their professional skills and turn them into outstanding professionals of international caliber. For more details on employee rights and employee care please refer to the chapter on labor-management relations in V. Overview of Operations. (2) Investor Relations: The Company actively notifies institutional investor of related information after the company's announcement of financial information, maintains reactions and communication with existing and potential shareholders which include domestic and offshore institutional investors, listens to suggestions and provides feedback to management for the purpose of maintaining shareholder's rights.	No discrepancies

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			Additionally, the Company participates in domestic and offshore investor meeting and investment forum, and reports the Company's financial business status and operation performance to investors to ensure in-depth understanding of the Company. (3) Vendor Relations: The Company actively searches for a second and third source of raw materials provided by suppliers to meet the PIC/S GMP requirements and be able to provide API DMFwhich are purchased pursuant to the regulations set forth in the procurement management guidelines in order to provide the Company with the required quantities of high-quality supplies at reasonable prices in a timely manner and achieve projected goals. (4) Stakeholders' Rights: The Company has set up email boxes for the filing of grievances, contacting of investors and plants, and adverse drug reactions to ensure the sound handling of stakeholder affairs and safeguard shareholder rights and interests. (5) Advanced study and director analysis. The directors of the Company participate in relevant advanced training courses in accordance with their professional needs. For more details on advanced training for directors and supervisors in 2018 please refer to chart 2 in the appendix. (6) Execution of risk management policy and risk	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			measurement standards: The Company focuses on its main business areas and has established operational norms and an internal control system in accordance with relevant laws and business activities with the goal of minimizing risks. (7) Execution of consumer protection or customer policy: The Company has already set up customer service hotlines and mailboxes for the reporting of adverse drug reactions to provide consumers with inquiry or grievance channels, while dedicated customer service personnel provides services and handles relevant problems. (8) The Company purchased liability insurance for director and managerial officers: The Company purchases liability insurance for its directors and managers on an annual basis to minimize or spread the risk of material damage to company and shareholder interests caused by mistakes or negligence of directors and managers. Coverage expired on January 13, 2019. The Company therefore renewed coverage provided by AIG Asia Pacific Insurance Pte. Ltd. for another year from January 13, 2019 to January 13, 2020. The insurance amount is US$ 8 million. Relevant details were reported in a board meeting on November 14, 2018. (9) For more details on advanced corporate governance related training for managers please refer to chart 3 in	

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
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			the appendix。 (10) For more details on the acquisition of certificates prescribed by the competent authority by personnel responsible for financial information transparency please refer to chart 4 in the appendix	

9. Please explain improvement over corporate governance assessment result published in the latest year by corporate governance center of Taiwan Stock Exchange Corporation, and present first priority enhancement matters and according measures on issues not yet improved.

The Company has achieved a ranking in the top 5% of all listed companies included in the TWSE corporate governance evaluations for three consecutive years starting in 2016. In 2018, the Company placed strong emphasis on improvements in the field of CSR fulfillment. It formulated the Procedures for Ethical Corporate Management and Guidelines for Conduct, established a whistleblowing system, and set up an Ethical Corporate Management Promotion Task Force and reporting channels. It also strengthened education and promotion efforts to ensure the implementation of ethical corporate management policies. The CSR Fulfillment Achievement Rate (number of scoring and indicator items) rose from 76.92% in 2017 to 83.33% in 2018 due to the formulation of a human rights policy with reference to the International Bill of Human Rights.

In 2019, the feasibility of adoption of ISO45001 (Occupational Health and Safety Management System) will be assessed. In addition, a public welfare club has been established, and various activities are planned and organized to promote social concern and environmental protection related activities and concepts. The goal is to turn charity and compassion into a part of the daily lives of our colleagues through a process of osmosis. The Company aims to form a corporate culture based on the fulfillment of its responsibility as a corporate citizen and pursuit of corporate sustainability

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Chart 1

Review items of CPA's Independence and Adequacy

Independence

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

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Adequacy

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

Is accounting firm engaged in conflict of interest with the Company's future potential interests?

Chart 2

Advanced training received by directors and supervisors in 2018

Title	Name	Organizer	Course Name	Hours
Chairman	Lin, Chuan	Securities & Futures Institute	Analysis of new trends in the field of corporate governance and impacts on director and supervisor responsibilities from the perspective of the latest Company Act amendments	3.0
		Securities & Futures Institute	Computer crime and information security	3.0
		Taiwan Corporate Governance Association	Concern of Foreign institutional investors for ESG	3.0
Vice Chairman	Chang, Wen-Hwa	Taiwan Corporate Governance Association	Taxation issues before and after mergers and acquisitions	3.0
		Securities & Futures Institute	Analysis of new trends in the field of corporate governance and impacts on director and supervisor responsibilities from the perspective of the latest Company Act amendments	3.0
		Financial Supervisory Commission	12th Taipei Corporate Governance Forum	3.0
		Taiwan Corporate Governance Association	Seminar on director/supervisor liability risks	3.0

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Title	Name	Organizer	Course Name	Hours
Director	Hsiao, Ying-Chun(Note)	Securities & Futures Institute	Analysis of new trends in the field of corporate governance and impacts on director and supervisor responsibilities from the perspective of the latest Company Act amendments	3.0
		Taiwan Corporate Governance Association	Concern of Foreign institutional investors for ESG	3.0
Director	Yang, Tze-Kaing	Taiwan Corporate Governance Association	Development trends and important regulations governing money laundering and terrorism financing prevention	3.0
		Taiwan Corporate Governance Association	Market development trends of the finance industry in Taiwan	2.5
		Taiwan Corporate Governance Association	Analysis of the impact of the new Money Laundering Control Act on enterprises	3.0
Director	Chang, Hsiu-Chi	Taiwan Corporate Governance Association	Board performance and effectiveness assessment from the perspective of directors and supervisors	3.0
		Securities & Futures Institute	Analysis of new trends in the field of corporate governance and impacts on director and supervisor responsibilities from the perspective of the latest Company Act amendments	3.0
		Taiwan Corporate Governance Association	Concern of Foreign institutional investors for ESG	3.0
Director	Liao, Ying-Ying	Securities & Futures Institute	Analysis of new trends in the field of corporate governance and impacts on director and supervisor responsibilities from the perspective of the latest Company Act amendments	3.0
		Taiwan Corporate Governance Association	Concern of Foreign institutional investors for ESG	3.0

Item	Operations (Note)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
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Title	Name	Organizer	Course Name	Hours
Independent Director	Tsai, Duei	Taiwan Depository & Clearing Corporation	Forum on 100% E-voting and enhancement of corporate value	3.0
		Taiwan Corporate Governance Association	AI and the age of C2B	3.0
		Securities & Futures Institute	Education on compliance with laws governing insider share trading in listed companies and non-listed public companies	3.0
		Securities & Futures Institute	Analysis of new trends in the field of corporate governance and impacts on director and supervisor responsibilities from the perspective of the latest Company Act amendments	3.0
Independent Director	Hsueh, Ming-Ling	Taiwan Securities Association	National and international laws and regulations governing anti-money laundering and combating of terrorism financing	3.0
		Taiwan Corporate Governance Association	Discussion of changes in the taxation environment and tax reform trends in China, Taiwan, and the US from the perspective of global tax avoidance tendencies	3.0
		Taiwan Corporate Governance Association	Analysis of the latest Company Act amendments	3.0
		TWSE	New Corporate Governance Roadmap Summit for listed companies	3.0
		Taiwan Corporate Governance Association	Introduction of the New Corporate Governance Roadmap	1.0
		Taiwan Securities Association	Fintech innovation strategies	3.0
		Taiwan Corporate Governance Association	Compliance and supervisory obligations of directors and responsibilities of independent directors	3.0
		Taiwan Corporate Governance Association	Latest Company Act amendments and director responsibilities	3.0
		Taiwan Corporate Governance Association	Board performance assessment	3.0

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

Title	Name	Organizer	Course Name	Hours
Independent Director	Lin, Tien-Fu	Taiwan Securities Association	Development trends and important regulations governing money laundering and terrorism financing prevention	3.0
		Taiwan Securities Association	Market development trends of the finance industry in Taiwan	2.5
		Taiwan Securities Association	Analysis of the impact of the new Money Laundering Control Act on enterprises	3.0

Note: On March 26, 2019, Mr. Carl Hsiao was appointed as the new representative of Dawan Technology Company Limited. in place of Mr. Hsiao, Ying-Chun.

Chart 3

Advanced training received by managers and auditors in 2018

Title	Name	Organizer	Course Name	Hours
CFO	Chang , Kuo-Chiang	Financial Message Digital Co., Ltd.[Wealth Magazine]	2018 Genet Industry Trend Forum	25.0
Auditor	Chu, Qi-Wen	Securities & Futures Institute	How to acquire and enhance audit skills from key audit matters	6.0
Auditor	Chu, Qi-Wen	Securities & Futures Institute	Workshop on stock affairs laws and shareholders' meeting practices	6.0
Accounting Officer	Wang, Shu-Wen	Accounting Research and Development Foundation	Real practice continuing study for principal accounting officers of issuers, Securities firm and securities exchange	12.0

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

Chart 4

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

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

(4) The Company That Has Set Up A Compensation Committee Shall Disclose Its Composition, Responsibilities, And Operation:

① The Member of Compensation Committee

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

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

(1) Not an employee of the Company or its affiliated companies.

(2) Not a director/supervisor of the Company or any of its affiliates unless he/she serves as an independent director of the Company/parent company of the Company or any subsidiaries as regulatory by this or local governing body.

(3) The outstanding shares of the Company held under the names of the director/supervisor, their spouses, minor children, and those held under the name of other parties are less than 1% of the total outstanding shares of the Company or not a member listed as one of the top 10 individual shareholders of the Company.

(4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the third degree of consanguinity of any person indicated in the foregoing three categories.

(5) The Company or a director, supervisor, or employee of the top-five institutional shareholders;

(6) Not a director, supervisor, manager, or an institutional shareholder with more than 5% shareholding of a specific company or an institution that has conducted finance or business transactions with the Company.

(7) Not a professional, sole proprietorship profit-seeking enterprise, or partnership that provides commercial, legal, financial, or accounting service to the Company or to any affiliate of the Company; not an owner, partner, director, supervisor, or manager of a company or an institution that provides commercial, legal, financial, or accounting service to the Company or to any affiliate of the Company; or not the spouse of any of the above persons.

(8) Not subject to any condition under Article 30 of the Company Law.

② **Operation of the Compensation Committee**

(i) The Company's Compensation Committee is composed of with 5 members.

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

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Convener	Tsai, Duei	5	0	100.00	Selected Again Appointed on Dec. 12, 2018
Committee member	Hsueh, Ming-Ling	5	0	100.00	Selected Again Appointed on Dec. 12, 2018
Committee member	Lin, Tien-Fu	5	0	100.00	Selected Again Appointed on Dec. 12, 2018
Committee member	Lin, Wen-Cheng	4	1	80.00	Selected Again Appointed on Dec. 12, 2018
Committee member	Chou, Kang-Chi	5	0	100.00	Selected Again Appointed on Dec. 12, 2018

(iii) The Board meeting date, the term, the contents of the Proposals, the Resolution result and the Company's feedkback of Compensation Committee's opinion in 2018

Compensation Committee	Contents of Proposal	Resolution result	Company's feedkback of Compensation Committee's opinion
3rd session 10th Meeting Feb.05, 2018	1. Planned issue of 2017 incentive bonuses for managers	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance
	2. 2018 incentive plan for business unit executives.	Approved unanimously by all attending committee members	Submission to a board meeting and approval of revision of challenging targets to ensure consistency with the 2018 budget
	3. Deliberation of 2018 chairman compensation.	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance except Chairman Lin, Chuan who recused himself due to a conflict of interest
3rd session	1. Total employee and	Approved	Submission to a board

Compensation Committee	Contents of Proposal	Resolution result	Company's feedkback of Compensation Committee's opinion
11th Meeting Mar.29, 2018	director compensation and individual compensation for directors in 2017	unanimously by all attending committee members	meeting and unanimous approval of employee compensations by all directors in attendance; unanimous approval of total and individual compensations for directors by all directors in attendance except Vice Chairman Chang, Wen-Hwa, Director Yang, Tze-Kaing, Director Chang, Hsiu-Chi, Director Tseng, Tien-Szu, and Director Liao, Ying-Ying who recused herself/himself due to a conflict of interest
	2. Planned issue of incentive bonuses for the 2017 special contribution project	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance
	3. 2018 pay raise strategy	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance
	4. Planned amendment of the salary structure chart	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance
	5. Deliberation of remunerations for managers	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance
3rd session 12th Meeting Aug. 13, 2018	1. Planned amendment of the Board and Functional Committee Performance Assessment Guidelines	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance
	2. Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance except Vice Chairman Chang, Wen-Hwa who recused himself due to a conflict of interest
3rd session 13th Meeting Sep.17 2018.	1. Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance except Vice Chairman Chang, Wen-Hwa who recused himself due to a conflict of interest
	2. Discussion of plans to issue special bonuses to managers in 2017	Approved unanimously by all attending committee members	Submission to a board meeting and unanimous approval by all directors in attendance
3rd session	1. Discussion of manager and	Approved	Submission to a board

Compensation Committee	Contents of Proposal	Resolution result	Company's feedkback of Compensation Committee's opinion
14th Meeting Oct.4 2018.	employee compensations in 2017	unanimously by all attending committee members	meeting and unanimous approval by all directors in attendance

Other matters to be disclosed:

A. If the Board does not accept or amend the suggestions of the Compensation Committee, shall state the Board meeting date, the term, the contents of the motions, the resolution of the Board, and the Company's handling the opinions of the Compensation Committee (such as, when the remuneration resolved in the Board meeting is better than the remuneration recommended by the Compensation Committee, shall state the differences and the reasons for the differences):

Broad of Director	Compensation Committee	Contents of Proposal	Resolution result	Company's feedback of Compensation Committee's opinion
Feb. 05,2018 4th Meeting (21st Meeting for Former Session	3rd session 10th Meeting Feb. 05,2018	2018 incentive plan for business unit executives	Discrepancy: This proposal aims to realize achievement of certain targets by all business unit executives through incentive bonuses. The targets originally set and approved by the Remuneration Committee were not consistent with the 2018 budget (operating revenue targets higher than budgeted, operating income targets lower than budgeted) Reason: The board revised the targets suggested by the Remuneration Committee to ensure consistency of set targets and budget amounts	All attending directors approved revision of challenging targets to ensure consistency with the 2018 budget. Certain business unit executives achieved their targets and were granted bonuses in accordance with the amounts approved by the board. Other executives failed to achieve their targets due to policy adjustments. However, compared to the previous year, the operating revenue and income still exhibited significant growth. Incentive bonuses were therefore awarded as a form of encouragement as per board resolution on March 26, 2019.

B. If there is any opposition or reservation against the resolutions of the Compensation Committee recorded or documented in writing, shall state the meeting date of the Compensation Committee, the term, the contents of the motions, the opinions of all members, and handling the opinions of the members: None.

C. A new board was elected in the 1st extraordinary shareholders' meeting in 2018 on November 22, 2018. On December 24, 2018, the board approved the appointment of the members of the current Remuneration Committee.

(5) Performance of Corporate Social Responsibility

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Implementation of corporate governance (1) Does the company develop corporate social responsibility policy or system and review the effectiveness of implementation?	✓		(1) To fulfill corporate social responsibility and promote improvements on economy, environment and society for the purpose of reaching the goal of sustainable development, the Company drafted corporate social responsibility policy and corporate social responsibility practice guidelines on December 29, 2016. Department of Finance will be responsible for promotion. The competent departments of the Company communicate with stakeholders through regular business dealings, routine surveys, and interviews. Issues of concern to stakeholders differ based on the nature of the dealings. The Company therefore maintains a firm grasp of stakeholder demands and expectations through multiple communication channels.	No discrepancies
(2) Does the company routinely organize social responsibility education training?	✓		(2) The Company regularly holds training courses and emergency drills on environmental protection, safety, sanitation and firefighting, and conducts various training development activities (including internal and external training) for all existing personnel. Regular holding of director study courses has also been conducted to enhance Board of Directors' Meeting's functions	No discrepancies
(3) Does the company establish and promote full-time (part-time) corporate social responsibility department, where the Board of Directors authorize senior management to process and report to the Board of Directors of the processing?	✓		(3) The Financial Department is responsible for the promotion of CSR. Depending on activity or policy needs, General Manager will coordinate various departments to work together towards this goal. Mr. Chang, Kuo-Chiang, Senior Assist Vice President of Finance Division will serve as corporate social	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			responsibility project meeting convener. Corporate social responsibility responsible team is categorized into corporate governance and economy team, employee caring team, society caring team, sustainable development team and product service team based on perspectives of corporate governance, sustainable environment, employee caring and society charity participation. Through internal meetings, interested party group's reasonable demands and expectations on TTY Biopharm have been discussed. Respective teams have presented performance result and future improvement goals on their responsible sustainable development issues. Promotion of corporate operation concepts and social responsibility obligations will continue through identification and analysis of corporate social responsibility issues. The CSR Promotion Task Force reports reviews of relevant results and issues of concern to stakeholders to the board on an annual basis. It also submits the CSR report to the board for review. The 2017 CSR implementation results were reported to the board on November 14, 2018. The 2019 work objectives of the CSR Promotion Task Force which were determined upon discussion with relevant task forces include an assessment of the adoption of ISO45001, formation of a public welfare club, and the strengthening of ESG training for employees.	
(4) Does the company develop reasonable salary and remuneration policy in addition to combining	✓		(4) Pursuant to Article 21 of the "Articles of Incorporation," 0.5% ~ 10% shall be appropriated as employee compensation in the event	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
employee performance appraisal system and corporate social responsibility, as well as establishing explicit and effective rewards and punishment system			that the Company makes profit during a given year. Employee salary shall be based on compensation calculation guidelines established by the Company. Salary compensation shall be combined with training and performance review. Market-competitive salary adjustments will be provided regularly each year based on each employee's performance review result. Balances for internal salary equity is achieved through consistent salary calculation guidelines and rules. Distribution of employee bonus is based on the Company's overall operation performance-linked KPI achievement rates for departments and individuals. Personal duty performance is taken as a basis for assessment in offering reasonable compensations. The Company's compensation system not only ensures more accurate and effective reward and punishment, it also allows employees to work comfortably and develop their expertise. Talents are therefore retained through preferable compensation.	
2. Development of sustainable environment				
(1) Does the company devote in the improvement on the utilization efficiency of various resources and use recycled materials with low environmental impact?	✓		(1) The Company complies with domestic emission and effluent standards through constant operation of air pollutant and waste water treatment facilities in accordance with national laws and regulations. The Company also commissions qualified waste disposal businesses to process waste generated in plants and implements waste categorization to enhance recycling rates	No discrepancies
(2) Does the company establish proper environmental management system in accordance with its characteristics of industry?	✓		(2) The Company complies with environment management mechanism for biotechnological drug manufacturing industry. Our factories passed official factory inspections from Taiwan,	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			Europe, U.S. and Japan and obtained PIC/S GMP certifications from numerous countries. Besides, the Company implements the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) in all plants and attaches material safety labels to work areas to indicate which dangerous and harmful materials and substances employees are exposed to at their workplaces. Updated material safety data lists are also provided for the reference of employees. The goal is to enhance operational efficiency through improvements of the internal environment and effective environmental protection measures.	
(3) Does the company pay attention on the impact of climate change on operational activating and execute strategies on greenhouse gas inventory, develop corporate energy conservation and carbon emission reduction, and greenhouse gas reduction?	✓		(3) In recent years, global warming has led to abnormal climate patterns and more frequent natural disasters, which has caused a serious impact on the environment and enterprises. As a global citizen, TTY Biopharm has the moral responsibility to make all-out efforts to promote environmental protection and conservation. Although there is an increasing trend for the Company’s use of energy due to increased production capacity, TTY Biopharm Company Limited built up new boilers in Chungli factory and Lioudu factory respectively in 2017 and used natural gas, which incurred relatively smaller impact to environment pollution, to replace heavy oil, which posed relatively higher pollution, for the purpose of efficient energy utilization and reduction of greenhouse gas. With respect to new factory design, the Company promoted green building planning during its construction of Lioudu factory in 2013, and environmental green construction materials were used in building	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			elevation and factory compartments. Lighting is deployed effectively in operation areas and zone switches allow energy conservation in daily operations. Energy-saving lighting devices have been installed in all plant areas and diesel-operated forklifts have been replaced with electric vehicles. The goal lies in the realization of energy conservation and continued decrease of energy consumption and CO_2 emissions. In addition, green spaces with permeable pavement have been created to conform to environmental indicators and achieve rainwater conservation. The generation of waste during the construction process has been minimized. Recycled materials and balanced earthwork are used and air pollution prevention systems are constructed to achieve the goal of waste reduction.	
3. Maintenance of social welfare (1) Does the company develop relevant management policy and procedures in accordance with relevant laws and regulations and International Bill of Human Rights?	✓		(1) The Company places strong emphasis on human rights issues with the goal of providing its employees with an equitable and safe work environment and minimizing potential dangers and risks. A human rights policy has been formulated with reference to internationally recognized human rights standards such as the Universal Declaration of Human Rights, the Ten Principles of the UN Global Compact, and the UN Guiding Principles on Business and Human Rights in strict compliance with local labor laws. The goal lies in the unequitable and respectful treatment of all stakeholders. For more details on the Company’s human rights policy please refer to the official website.	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Does the company establish employee complaint mechanism and channel with proper handling?	✓		(2) The Company has report channels for sexual harassment and integrity operation. To protect reporting individual's rights, processing will be implemented in a confidential manner. Understanding of cases will be conducted in accordance with report procedures and disciplinary treatment will be imposed accordingly depending on the seriousness of cases.	No discrepancies
(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education??	✓		(3) The Company firmly believes that the mental and physical health of its staff is a key prerequisite for work performance characterized by high efficiency and high quality. To protect employee's safety, TTY Biopharm Company Limited not only purchased labor insurance and health insurance for all employees, it also provides insurance items of group insurance, accident insurance, occupational disaster insurance, cancer insurance and business trip insurance. Employee health check is conducted each year to ensure employee's health. Public accident liability insurance is also purchased for workplaces of the Company and factories. Factories also comply with regulations in their regular applications to competent authority for public safety equipment check on buildings and fire-fighting equipment. Certificates for qualified fire-fighting management personnel have been obtained, and fire-fighting plans for work place have been established in order to maintain fire-fighting equipment safety for work place. For the purpose of preventing occupational disaster and protecting employee's safety and health, "Occupational Safety & Sanitation Work Rules" and "Occupational Safety & Sanitation Management Plan" are	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			established in accordance with Occupational Safety & Health Act and related regulations. Respective factories established occupational safety & health units, management work staff and emergency rescue personnel as required by laws. Safety & health education and training are conducted each year. Given importance of protection measures on work environment and personnel, TTY Biopharm Company Limited conducts related education and training in factories and implements education trainings on “Occupational Safety & Health Education Series” to new employees and existing staffs. This training includes courses of normal safety and health education training, measures to provide safety consciousness, promotion of work place health and accurate selection of masks. Learning assessment is also utilized during education training process to verify accuracy of employee’s learning direction as well as to ensure fulfillment of protection measure concepts on work environment and personal safety.	
(4) Does the company establish routine communication mechanism with employees and notify the employees of the operational change that could possibly cause major impact through reasonable means?	✓		(4) The Company regularly announces the Company’s short/middle/long term operation goals and directions to employees as a whole through open communication mechanisms of annual strategy meeting (strategy modification meeting), senior management meeting, management meeting, research project meeting and e-newspaper. This is to ensure employees’ consensus on the Company’s operation strategy as well as their focus on goals.	No discrepancies
(5) Does the company establish effective career	✓		(5) The Company has established a comprehensive corporate	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
competence development training program for employees?			internal training system – "TTY College." In addition to new employee training, universal knowledge courses and leadership management courses, physical and on-line classes from five major colleges (R&D, production, marketing, business, culture) have been integrated via biotechnology industry expertise and TTY Biopharm corporate culture across the fields of R&D, production and business marketing.	
(6) Does the company develop relevant rights/interest policy and complaint procedures to protect consumers in accordance with the R&D, purchase, production, operation, and service process?	✓		(6) In the "contact us" field on company website, the Company establishes responsible person contact phone number and email box to handle complaints with respect to the Company's consumer's rights for the purpose of fair and real time processing of consumer's complaint.	No discrepancies
(7) Does the company comply with all relevant laws and regulations and international standards for the marketing and labeling of products and services?	✓		(7) In accordance with requirements from "PIC/S Guide to Good Manufacturing Practice for Medical Products" and "Good Distribution Practice (GDP)", the Company produces and manufactures drugs and executes operations of import, export, storage and transportation for the purpose of providing customers with safe and effective medical products.	No discrepancies
(8) Does the company evaluate the past records of vendors with impact on the environment and society prior to the business?	✓		(8) Prior to doing business with vendors, the Company verifies that the raw materials provided by them conform to relevant pharmaceutical norms and evaluates past records regarding social and environmental impacts.	No discrepancies
(9) Does the contract signed between the company and the major vendors include policy on vendor involving the violation of corporate social responsibility with significant impact on the		✓	(9) Although there are no related clauses on agreements between the Company and major suppliers, routine onsite inspection on suppliers ensures suppliers comply with product quality requirements and environmental protection regulations. For	No difference, only relevant provisions have not been formulated

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
environment and society and clauses that could terminate or cancel the contract at any time?			negotiation of new agreements in the future, related clauses will be added depending on actual circumstances.	
4. Strengthen information disclosure (1) Does the company disclose relevant corporate social responsibility with relevance and reliability on the company website and Market Observation Post System?	✓		(1)The Company has already set up corporate social responsibility pages on corporate website. Corporate social responsibility report has been drafted starting from 2017 for the purpose of disclosing relevant and reliable related information on corporate social responsibility.	No discrepancies
5. For companies having developed independent corporate social responsibility practice in accordance with “Corporate Governance Best Practice Principles for TWSE/TPEx listed Companies,” please describe the discretion of operation with the independent practice developed The Company establishes its “Corporate Social Responsibility Guidelines” in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed Companies” and complies accordingly without fail for the purpose of fulfilling corporate social responsibility promotion.				
6. Other critical information that helps understand the operation of corporate social responsibility: (1) Providing Work Opportunities to the Mentally/Physically Disadvantaged (Down Syndrome) TTY Biopharm hires employees with Down Syndrome to assist in cleaning services in designated office environments to enable these underprivileged individuals to lead fulfilling and dignified lives. This allows persons with Down Syndrome to acquire professional skills and facilitates their integration into society. It also gives our employees an opportunity to learn how to interact with these handicapped workers. A simple smile and friendly greeting fills them with confidence and joy. (2) Summer internship Program Every year, TTY’s Summer internship contents include professional training courses covering major aspects of the biotech industry value chain and practical training to familiarize participants with the actual internal operations of the company. These programs also allow students to participatein those programs to understand the current development of the biotechnology industry, the operation of corporations, and the workplace mindset. Our company can contribute to the society by providing such programs. In 2018, we selected 29 offshore and domestic excellent college students from Taiwan, Japan, and U.S.A. to receive more than one month of apprenticeship and training. In addition to professional biotechnology lessons, they were also allowed to participate in practical operations. Lessons design emphasizing on both theory and practices was highly recognized by both teachers and students (3) Cancer Education and Local Care				

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

As a member of the pharmaceutical industry, TTY Biopharm constantly invests resources in the development of new anti-cancer drugs, makes donations to cancer patient families, and disseminates cancer-related information on the Internet in response to the gradually increasing number of cancer patients in Taiwan. Free health education events are organized in cooperation with relevant organizations to provide teenagers and children with a correct understanding of cancer and make a contribution to cancer prevention.

(i) Cancer Education in Rural Areas and Schools

As of 2005, the TTY Oncology Business Unit (TOT) annually organizes a series of education activities on the prevention of cancer and healthy diets for junior high school students in cooperation with NPOs engaged in the field of cancer prevention. Several dozen activities are organized on junior high school campuses in remote areas on an annual basis. In 2018, we invited medical practitioners of large medical centers in remote areas of Yunlin, Chiayi, Tainan, Miaoli, Hualien, and Taitung counties to serve as instructors for a total of 26 such activities on junior high school campuses.

The purpose of these activities lies in the propagation of accurate concepts and methods of cancer prevention and healthy lifestyles among teenagers and provide assistance in the daily lives of families through dissemination of knowledge and promotion of a correct understanding of cancer prevention and healthy lifestyles.

These activities aim to enlist medical practitioners such as physicians and registered nurses as volunteers who dedicate their professional expertise to share accurate concepts of cancer causes and local care.

(ii) Scholarships for children of cancer patients

More and more young generation suffer from cancer. When cancer patients are the main economic support of their families and their children are mostly still minors, the additional expenditures for treatment of the disease often turn into a burden for the whole family and thereby affect the life quality and study expenditures of the children. To alleviate the economic burden of these families and allow their children to focus on their studies and grow up healthily, TTY Biopharm has acted as a sponsor for the Hope Foundation for Cancer Care since 2010 and offers scholarships and grants to make a contribution to the study expenditures of children of cancer patients. In 2018, a total of 75 university and college students received financial support amounted to NT$ 1 million.

(iii) Holding of Various Health Education Seminars for Cancer Patients and Relatives

For patients currently under treatment or with treatment completed, TTY Biopharm Company irregularly holds health education promotions on various cancers and for patient’s relative to allow patients to go through discomfort from treatment and illness. This also encourage patient’s relative to learn accurate knowledge and fights cancer aggressively together with patients. There were 10 seminars held in 2018. A total of 5,379 cancer patients have

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
participated in such seminars since 2009. (4) Charity order and supporting social welfare groups In view of the lack of resources and support for social welfare organizations, they are often unable to meet relevant needs and financial bottlenecks cause operational difficulties. Sheltered employees require assistance from social workers at the workplace, which in turn leads to increasing manpower hours and rising manufacturing costs. The added impact of financial difficulties, marketing challenges, and low product visibility results in a precarious situation for product sales and marketing. In 2018, the Company purchased over 15,000 selected hand-made soap sets of the Syin-Lu Social Welfare Foundation as souvenirs for the 2018 Annual General Shareholders' Meeting to give back to shareholders and support social welfare organizations. In 2019, the Company purchased 12,000 sets of Himalayan pink salt packaged by Yu-Cheng Social Welfare Foundation as a souvenir for the 2019 Annual General Shareholders' Meeting to fulfill TTY Biopharm's corporate social responsibility.				
7. If the company's products or corporate social responsibility report has been validated by the relevant certification institutions, it should be described in details: The Company's 2017 corporate social responsibility report has passed inspection and verification from independent third party verification institute of BSI , and has also passed AA1000 Type 1 Moderate Level. Corporate social responsibility report for 2018 is currently being drafted, and application for verification institute's inspection will be conducted accordingly.				

(6) Company's Ethical Corporate Management And The Adopted Measures

Implementation of Ethical Corporate Management

Items	Operations (Note1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Develop ethical management policy and program				
(1) Does the Company specify the policy and approach regarding ethical management on articles and outbound documents as well as the commitment from Board of Directors and management to implement management policy?	✓		(1) The Company drafted "Good Faith Operation Principles" on December 29, 2016 for the purpose of building up a good faith corporate culture and healthy and comprehensive development, as well as for establishment of a reference structure for good business operation.	No discrepancies
(2) Does the company develop prevention on non-integral conducts program to specify the operation procedures, conduct guide, punishment and complain system for violation with implementation in all programs?	✓		(2) The Company conducts business activities based on principles of fairness, honesty, trustworthiness and transparency for the purpose of fulfilling integrity operation policy as well as aggressive prevention of dishonest behavior. Based on "Ethical Corporate Management Best Practice Principles," the Company establishes "Procedures for Ethical Management and Guidelines for Conduct" which specifically prescribes matters to be paid attention to by staffs during execution of business. It also expressively prescribes punishment and appeal system for violation of requirements.	No discrepancies
(3) Does the company adopt prevention measures according to Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other operational activities of other business scope without higher unethical behavior risk?	✓		(3) The Company's" Procedures for Ethical Management and Guidelines for Conduct" expressively prescribes prevention measures for dishonest behavior. Management and employees are strictly prohibited to be engaged in any offering/receiving of bribe or illegal behavior. With respect to all activities violating requirements, punishment, suspension of duty or termination of	No discrepancies

Items	Operations (Note1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			employment will be imposed accordingly based on actual circumstances.	
2. Implementation ethical management (1) Does the company evaluate the ethical records of transacting targets and specify the ethical behavior clauses in the contract signed with the transacting targets?	✓		(1) The Company's "Procedures for Ethical Management and Guidelines for Conduct" explicitly prescribes that comprehensive understanding of counter party's integrity operation status shall be obtained when entering agreement with other party. Related terms on dishonest behavior prevention may be established in agreement hereto.	No discrepancies
(2) Does the company establish a full-time (part-time) organization promoting corporate ethical management under the Board of Directors in addition to routinely report to the Board of the Directors for execution?	✓		(2) On March 29th, 2018, the Company drafted "Procedures for Ethical Management and Guidelines for Conduct" and established "Ethical Management Team." "Ethical Management Team" reports to the Board of Directors' Meeting, with general manager as the convener. Members include head of management center, head of finance department, head of audit, head of organization development and human resource and head of department of law. Independent directors are responsible for supervision accordingly. The Ethical Corporate Management Promotion Task Force reports relevant implementation results to the board on an annual basis. On March 26, 2019, the following accomplishments in 2018 were reported to the board:	No discrepancies

Items	Operations (Note1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			(i) Education on the ethical corporate management policy a.Training Organization of a total of 12 training courses (807 training hours) with 191 trainees on topics ranging from drug safety and business secrets to IPR, information security, and company laws in 2018. b.New hire orientation As of May 14, 2018, every newly inducted employee is educated on the Company's ethical corporate management policy when he/she reports for duty. (ii) Compiled reports on whistleblowing The Ethical Corporate Management Promotion Task Force submits reports on whistleblowing activity via the dedicated mailbox to the board on a quarterly basis. No whistleblowing reports were received and no unethical conduct including corruption occurred in 2018.	
(3) Does the company develop conflict of interest policy, provide proper petition channel and implement the execution?	✓		(3) On March 29th, 2018, the Company drafted "Procedures for Ethical Management and Guidelines for Conduct" which explicitly prescribes conflict of interest policy. The Company has established appropriate channels that allow a detailed description of potential conflicts of interests with the Company or the absence thereof by directors, the management level, and all staff members.	No discrepancies

Items	Operations (Note1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Has the company established valid accounting system and internal control system to implement ethical management with the internal audit department routinely audit or the CPA executes inspection?	✓		(4) The Company has established a valid accounting system and internal control system in accordance with relevant laws and regulations. Unit executives review and implement corporate ethical management practices, while auditors conduct audits and tracking of such practices in accordance with annual audit plans.	No discrepancies
(5) Does the company routinely hold domestic and external educational training for ethical management?	✓		(5) The Company notifies all employees of the "Procedures for Ethical Management and Guidelines for Conduct" through e-mails, and it is also disclosed on internal employee website.In addition, new hires also receive education on regulations pertaining to the prohibition of unethical conduct when they report for duty. The Company also periodically organizes training courses on drug safety, business secrets, IPR, information security, and company laws. In 2018, a total of 12 training courses (807 training hours) with 191 trainees were organized.	No discrepancies
3. Operations of company reporting system				
(1) Does the company develop specific reporting and incentive system and establishing convenient reporting channel in addition to assigning proper handling specialist for the target reported?	✓		(1) The Company's "Procedures for Ethical Management and Guidelines for Conduct" explicitly prescribes specific reporting and rewarding system. Report channels are also established on corporate official website and internal employee website, with "Ethical Management Team" designated personnel responsible for receiving cases reported.	No discrepancies
(2) Does the company develop investigation standard operation process and relevant confidential mechanism for	✓		(2) "Ethical Management Team Operation Rules" is drafted under the Company's "Procedures for Ethical	No discrepancies

Items	Operations (Note1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
accepting reported matters?			Management and Guidelines for Conduct." These operation rules explicitly prescribe investigation standard operation procedures and confidentiality mechanism for receiving matters reported.	
(3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?	✓		(3) The Company's "Procedures for Ethical Management and Guidelines for Conduct" and "Ethical Management Team Operation Rules" explicitly prescribe measures protecting report person from inappropriate treatment because of such report. Internal disciplinary rules also explicitly prescribe that staff disclosing identity of report person and contents shall be severely disciplined.	No discrepancies
4. Strengthen information disclosure (1) Does the company disclose the content of ethical management practice developed and promote the effectiveness on the company website and Market Observation Post System?	✓		(1) The Company has already disclosed its Ethical Corporate Management Best Practice Principles and Procedures for Ethical Corporate Management and Guidelines for Conduct on its corporate website and on the Market Observation Post System. Implementation results are also posted on the website.	No discrepancies
5. If the company has instituted ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe its operation differing from the Principles: Company drafted "Ethical Corporate Management Best Practice Principles," under which the "Procedures for Ethical Management and Guidelines for Conduct" was drafted accordingly for the purpose of fulfilling integrity operation policy and preventing dishonest behavior aggressively.				
6. Other helpful information for better understanding the Company's operation of the Ethical Corporate Management Best Practice Principles(such as, the Company's declaring its determination for ethical corporate management to the associated vendors, policies, inviting them to participate in education and training, and reviewing and amending the Company's Ethical Corporate Management Best Practice Principles): The Company upholds a corporate culture of integrity and has earned the trust of its suppliers and clients in major medical institutions with a firm commitment to the				

Items	Operations (Note1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
goal of sustainable operations.				

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

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

(8) Any Other Material Information That Would Afford a Better Understanding of the Status of the Company’s Implementation of Corporate Governance May Also Be Disclosed：

(i) To enhance corporate governance the Company established the Audit Committee in composition of 3 independent directors starting June, 2016.

(ii) To make investors to understand the Company’s financial and business status, the Company was invited to attend 6 investor conference in 2018.

(iii) The company disclosed comprehensive corporate governance status on official website. Corporate governance related requirements and systems are disclosed on the Market Observation Post system.

(9) Internal Control System Execution Status

① Statement of Internal Control System

TTY Biopharm Company Limited

Statement of Internal Control System

March 26, 2019

TTY Biopharm Company Limited has conducted a self-check of internal control for the year of 2018. The results are as follows: ：

1. The Company acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established. The purposes of the Internal Control System are to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance, safeguard of assets, etc.), the reliability of financial reports, and the compliance with applicable laws and regulations.
2. The Company also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three goals referred to above. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The Company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the "Guidelines for the Establishment of Internal Control System by Public Companies" (referred to as the "Guidelines" hereinafter). The evaluation of the internal control system adopted by the said Guidelines has the internal control system divided into the following five factors based on the process of the management control: 1. Environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each component comprises certain factors. Please refer to the Guidelines for preceding items.
4. The Company has assessed and evaluated the effectiveness of the internal control system design and implementation in accordance with the internal control system criteria referred to above.
5. Based on the evaluation of the aforementioned system, the Company considered the Internal Control System as of December 31, 2018 (including supervision and management of subsidiaries), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and obeying the related internal control system of the relevant laws, are all effective, and it can ensure that the aforementioned goals to be reasonably reached.
6. This Statement of Internal Control System is the main content of the annual report and prospectus, and will be publicly disclosed. Upon any unlawful acts like pretense and concealment involved in the above-mentioned statement, the Company will assume the legal responsibilities according to Article 20, 32, 171, and 174 of the Securities Exchange Act.
7. This Statement of Internal Control System had been approved by the Board of Directors at the meeting of March 26, 2019 with 9 directors presented at the meeting and none disagreeing with this Statement of Internal Control System.

TTY Biopharm Company Limited

Chairman：Lin Chuan

General Manager：Hsiao, Ying-Chun

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

(10) Company Or Employees Been Penalized By Law Or Employees Received Penalties From Company For Violating The Internal Control Regulations In Fiscal Year 2017 And As Of The Publication Date Of The Annual Report, Major Nonconformities, And Status Of Improvements: NONE.

(11) Major Resolutions Made In Shareholders' Meeting and Board Meetings

Date and Types of Meetings	Important Resolutions
Board of directors Jan. 15, 2018	1. Commissioning of the Company by a investee to provide IT services in 2018 2. Renewal of the agreement to manufacture drugs for a subsidiary 3. Authorization of a subsidiary as an agent for newly added products 4. Sharing of IT services and service expenses between a investee and this Company 5. Authorization of a investee as an agent and transfer price changes
Board of directors Jan. 15, 2018 (extraordinary)	1. Election of the Chairman 2. Appointment of the General Manager
Board of directors Jan. 19, 2018	1. Replacement of juristic person director representative for a investee
Board of directors Feb. 05, 2018	1. Formulation of the 2018 Business Plan and Budget 2. Pursuant to the newly adopted International Financial Reporting Standard 9, reclassification of equity instruments of available-for-sale financial assets as financial assets measured at fair value through other comprehensive income 3. Planned establishment of an overseas subsidiary 4. Lifting of non-competition restrictions for managers 5. Planned issue of 2017 incentive bonuses for managers 6. 2018 incentive plan for business unit executives 7. Deliberation of 2018 chairman compensation 8. Planned procurement of equipment
Board of directors Mar. 29, 2018	1. Total employee and director compensation and individual compensation for directors in 2017 2. 2017 Business Report and financial statements 3. 2017 Earnings Distribution Proposal 4. Review of the designation of director and supervisor representatives for a subsidiary 5. Planned amendment of the "Subsidiary Management Policy" 6. Planned formulation of Procedures for Ethical Corporate Management and Guidelines for Conduct 7. Date, venue, and agenda for the 2018 Annual General Shareholders' Meeting 8. Transfer of entrusted manufacture for a subsidiary to a different plant 9. Planned procurement of professional medical information services 10. Formulation of the 2017 Internal Control Statement 11. Planned issue of incentive bonuses for the 2017 special contribution

Date and Types of Meetings	Important Resolutions
	project 12. 2018 pay raise strategy 13. Planned amendment of the salary structure chart 14. Deliberation of remunerations for managers 15. Amendment of the 2018 budget
Board of directors May 14, 2018	1. Cooperation between the Company and related parties 2. Payment of incentive bonuses to partners 3. Planned refund of price differences to a investee 4. Planned adjustment of transfer prices for drugs distributed by an authorized subsidiary 5. Commissioning of the Company by a subsidiary to provide logistics management services 6. Transfer of entrusted manufacture for a subsidiary to a different plant 7. Planned retention of earnings by a subsidiary 8. Requested authorization of the chairman to dispose of investee shares
Board of directors Jun. 20, 2018	1. Setting of an ex-dividend date and issue date for cash dividends 2. Development of overseas markets for a certain generic drug in cooperation with an international drug manufacturer 3. Approval of replacement of the testing company sub-commissioned by the partner to carry out matters pertaining to overseas license applications for a certain drug 4. Authorization of addition of new products distributed by an authorized investee 5. Replacement of subsidiary director and supervisor representatives 6. Planned cancellation of the business registration for a second-tier overseas subsidiary 7. Authorization of the chairman to dispose of investee shares on open markets 8. Planned establishment of a second-tier subsidiary by a first-tier subsidiary
Board of directors Aug. 13, 2018	1. Planned amendment of the Board and Functional Committee Performance Assessment Guidelines 2. Amendment of the investee agreement between the Company and its partner 3. Planned commissioning of the Company by a subsidiary to provide logistics management services 4. Designation of the chairman and directors for a subsidiary 5. Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company
Board of directors Sep. 17, 2018	1. Commissioned undertaking of CDE inquiries and clinical trials for drugs provided by an international manufacturer in Taiwan 2. Planned commissioning of the Company by a investee to provide market survey and consulting services 3. Planned commissioning of the Company by a investee to provide professional product services 4. Planned issue of compensations in 2017 for the exercise of functions and powers by director representatives of investees designated by the Company 5. Discussion of plans to issue special bonuses to managers in 2017

Date and Types of Meetings	Important Resolutions
	6. Discussion of a reply to the court regarding contract validity controversy.
Board of directors Oct. 04, 2018	1. Amendment of certain transaction terms for products distributed by an authorized investee 2. Designation of a person in charge of safekeeping of company seals registered with the Ministry of Economic Affairs 3. Discussion of manager and employee compensations in 2017 4. Planned commissioning of a partner to carry out in vitro trials 5. Early election of new directors and independent directors 6. Planned amendment of the Company's Articles of Incorporation
Board of directors Oct. 26, 2018	1. Review of the list of director and independent director candidates nominated by shareholders with holdings exceeding 1% as processed in the 1st extraordinary shareholders' meeting in 2018 2. Lifting of non-competition restrictions for newly appointed directors and their representatives 3. Amendment of the agenda for the 1st extraordinary shareholders' meeting in 2018
Board of directors Nov. 14, 2018	1. 2018 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees 2. Revision of transaction terms for drugs manufactured by the Company for a subsidiary by commission 3. Commissioning of the Company by a investee to provide IT services 4. Signing of a lease agreement for an office area rented by a investee from the Company 5. Planned commissioning of the Company by a investee to provide market survey, consulting services, and professional product services
Board of directors Nov. 22, 2018	1. Election of the chairman and vice chairman of the Company's current board of directors 2. Appointment of the members of the 2nd Audit Committee
Board of directors Dec. 24, 2018	1. Planned payment of a commission to a subsidiary for the commissioning of the Company to manufacture drugs 2. Planned authorization of a investee as an agent for drugs manufactured by the Company 3. Lending of funds to subsidiaries 4. Planned amendment of the Audit Committee Charter of the Company 5. Planned revision of the internal control system of the Company 6. Planned formulation of the 2018 Audit Plan 7. Planned dissolution of the TTY Biopharm Taipei Branch 8. Appointment of the General Manager for a subsidiary 9. Appointment of the members of the 4th Remuneration Committee 10. Dismissal of the audit officer due to position adjustment 11. Consultant appointment
Board of directors Jan. 11, 2019	1. Formulation of the 2019 Business Plan and budget 2. 2018 Pay raise strategy 3. Planned issue of incentive bonuses for managers in the context of the talent retention program 4. Planned issue of special bonuses to managers in 2018
Board of directors Feb. 25, 2019	1. Planned acquisition of exclusive agency rights for the products of an international company in the Taiwan area

Date and Types of Meetings	Important Resolutions
	2. Planned amendment of the Company's Corporate Governance Best Practice Principles
Board of directors Mar. 26, 2019	1. Total employee and director compensation and individual compensation for directors in 2018 2. 2018 Business Report and Financial Statements 3. 2018 Earnings Distribution Proposal 4. Planned amendment of the Procedures for Acquisition or Disposal of Assets 5. Planned amendment of the Regulations for Lending Funds to Other Parties 6. Planned amendment of the Regulations on Endorsement & Guarantee 7. Date, venue, and agenda for the 2019 Annual General Shareholders' Meeting 8. Formulation of the 2018 Internal Control Statement 9. Internal audit officer appointment 10. Corporate governance officer appointment 11. Planned commissioning of the Company by a subsidiary to provide logistics management services 12. 2018 Manager Sales Target Bonus Proposal 13. Planned issue of incentive bonuses for the 2018 special contribution project 14. Planned replacement of juristic person director representative for a subsidiary 15. Authorization of agents for distribution of the Company's drugs in overseas areas
Board of directors May 10, 2019	1. Lifting of non-competition restrictions for directors 2. Proposal to add an Annual General Shareholders' Meeting in 2019 3. Planned formulation of Standard Procedures Governing the Handling of Director Requests 4. 2019 Manager Sales Target Bonus Proposal 5. Revision of agency authorizations and trading partners for the Company's drugs in overseas areas 6. Discussion of appointment and compensations for new managers
General Shareholders' Meeting Jun. 20, 2018	1. 2017 Business Report and financial statements 2. 2017 Earnings Distribution Proposal Implementation status: Cash dividends totaling NT$ 1,118,924,816106 (NT$ 4.5 per share) issued to shareholders on August 10, 2018
1st Special Shareholders Meeting for 2018 Niv.22, 2018	1. Amendment of the Articles of Incorporation Implementation status: Registration approved by the Ministry of Economic Affairs on December 10, 2018. The amended Articles of Incorporation have been posted on the Company's website (Investors/ Corporate Governance/ Major Corporate Policies) 2. Early election of a new board List of elected directors: Lin, Chuan, Chang, Wen-Hwa, Dawan Technology Company Limited. representative Hsiao, Ying-Chun, Yang, Tze-Kaing, Chang, Hsiu-Chi, Liao, Ying-Ying, Tsai, Duei, Hsueh, Ming-Ling and Lin, Tien-Fu. Election of Mr. Lin, chuan and Ms. Chang, wen-hwa as chairman and vice chairman in the board meeting convened on November 22, 2018

Date and Types of Meetings	Important Resolutions
	Registration approved by the Ministry of Economic Affairs on December 10, 2018 3. Lifting of non-competition restrictions for newly appointed directors and representatives

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

(13) Table Of Resignation And Dismissal Of The Chairman, President, Accounting Officer, Finance Officer, Internal Chief Auditor, And R&D Director In The Most Recent Year And As Of The Publication Date Of The Annual Report:

Summary of Resignation/Discharge Over Company Stakeholders

May 15, 2019

Title	Name	Date Of Employment	Date Of Discharge	Reason For Resignation / Discharge
Auditing Officer	Wu, Wen-Hua	2012.04.27	2018.12.24	Position adjustment

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

4. Information on Accountants’ Fees

(1) Information on Accountants’ Fees:

Unit: NT$ Thousand

CPA Firm	Name of CPAs	Auditing fee	Non-auditing fee					Auditing period	Remark
			System Design	Industrial and Commercial Registration	Human Resources	Others	Sub-total		
KPMG Taiwan	Tseng, Kuo-Yang, Chi, Shi-Qin	3,060	—	—	—	1,400	1,400	2018/01/01 | 2018/12/31	Non-Audit Public Expense: Transfer pricing$ 200 Agreed-upon procedures $1,200

(2) If The Auditing Fee Paid In the Year of Changing To another CPA Firm Is Less Than the Auditing Fee Paid In the Prior Year, Shall State the

Amount of Reduction, Ratio, and Reasons: None

(3) When The Auditing Fee Is Decreased By Over 15% from the Prior Year, Shall State the Amount of Auditing Fee Reduced, Ratio, And Reasons: None

5. Alternation of CPA

The Company did not replace its independent auditor in the most recent year.

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

7. Transfer & Pledge of Stock Equity by Directors, Supervisors, Managerial Officers and Holders Of 10% or More of Company Shares

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

Title	Name	2018		Up to April 27 of the year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Chairman	Lin, Chuan	56,000	0	6,000	0
Vice Chairman	Chang, Wen-Hwa	0	0	0	0
Director	Dawan Technology Company Limited.	760,000	0	0	0
	Representative: Carl Hsiao 【Note3】	0	0	0	0
Director	Yang, Tze-Kaing	0	0	0	0
Director	Chang, Hsiu-Chi	0	0	(200,000)	(200,000)
Director	Liao, Ying-Ying	0	0	0	0
Independent Director	Tsai, Duei	0	0	0	0
Independent Director	Hsueh, Ming-Ling	0	0	0	0
Independent Director	Lin, Tien-Fu	0	0	0	0
General Manager	Hsiao, Ying-Chun	0	0	0	0
Vice General Manager	Wu, Hsueh-Liu	0	0	0	0
Vice General Manager, Healthcare Unit	Wu, Yong-Liang	0	0	0	0
Vice General Manager, Manufacturing Center	Liu, Chih-Ping	0	0	0	0
Vice General Manager, Pharmaceutical Development Center	Hu, Yu-Fang	0	0	0	0
Vice General Manager, Administration Center	Chang, Chih-Meng	0	0	0	0
Vice General Manager, Oncology Business Unit	Shi, Jun-Liang	0	0	2,000	0
Vice General Manager, Intensive Care Business	Qu, Zhi-Yuan	0	0	0	0

Title	Name	2018		Up to April 27 of the year	
		Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized	Number of Holding Shares Increased (Decreased)	Increase (Decreased) Number of Shares Collateralized
Unit					
Senior Assist Vice President and Financial Officer, Financial Division,	Chang , Kuo-Chiang	0	0	0	0
Senior Assist Vice President, Legal	Lin, Jin-Rong	0	0	0	0
Senior Assist Vice President, Administration Center	Liu, Nai-Wei	0	0	0	0
Assist Vice President, General Affairs	Tseng , Chu-Lan	0	0	0	0
Assist Vice President, Pharmaceutical Development Center	Cai, Shi-Hua	0	0	0	0
Assist Vice President, Lioudu Factory	Xu, Jian-Yu	0	0	0	0
Assist Vice President, Zhongli Factory	Xie, Cong-Yong	0	0	0	0
Assist Vice President, Healthcare Unit	Jian, Chong-Guang	0	0	0	0
Assist Vice President, GM Office	Wu, Wen-Hua	0	0	0	0
Assist Vice President, GM Office	Wu, Ruei-Wen	0	0	0	0
Assist Vice President, GM Office	Yin, Wei-Ying	0	0	0	0

Note 1: Shareholders holding more than 10% of the Company's total shares: None.
Note 2: Stakeholders as counterparties in equity transfer or pledge: none.
Note 3: On March 26, 2019, Mr. Carl Hsiao was appointed as the new representative of Dawan Technology Company Limited. in place of Mr. Hsiao, Ying-Chun.

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

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

April 27, 2019

Name（Note1）	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Dawan Technology Company Limited. Representative:Hsiao, Ying-Chun	22,590,732 4,985,524	9.09 2.01	- -	- -	- -	- -	Hsiao, Ying-Chun	Chairman	
Cathay Life Insurance Co.,Ltd. Representative: Huang, Tiao-Guei	12,441,000	5.00	-	-	-	-	None	None	
Nan Shan Life Insurance Co., Ltd Representative: Tu, Ying-Tsung	9,439,000	3.80	-	-	-	-	None	None	
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming-Hsing	7,450,000	3.00	-	-	-	-	None	None	
City of New York Group Trust	6,983,376	2.81	-	-	-	-	None	None	
Chang, Wen-I	5,113,831	2.06	1,713,894	0.69	-	-	Chang, Wen-Hwa	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	
Hsiao, Ying-Chun	4,985,524	2.01	-	-	-	-	Dawan Technology Company Limited.	Chairman	
Chang, Wen-Ling	4,676,960	1.88	-	-	-	-	Chang, Wen-Hwa	Second-degree relative	
							Chang, Wen-I	Second-degree relative	
Chunghwa Post Co., Ltd. Representative: Wei, Jian-Hong	4,342,843	1.75					None	None	
Chang, Wen-Hwa	4,308,800	1.73	-	-	-	-	Chang, Wen-I	Second-degree relative	
							Chang, Wen-Ling	Second-degree relative	

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

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

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

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

May 15, 2019(Unit: Share)

Reinvested Companies (Note)	Investment of the Company		Investment of the directors, supervisors, managers, and companies that are directly or indirectly controlled by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Xudonghaipu International Company Limited (Cayman)	25,000,000	100.00%	0	0	25,000,000	100.00%
American Taiwan Biopharm Company Limited	380,000	40.00%	0	0	380,000	40.00%
PharmaEngine, Inc.	22,866,808	15.70%	0	0	22,866,808	15.70%
American Taiwan Biopharma Philippines Inc.	481,168	87.00%	0	0	481,168	87.00%
Worldco International Limited(HK)	39,600,000	100.00%	0	0	39,600,000	100.00%
Gligio International Limited(HK)	620,427	40.00%	0	0	620,427	40.00%
TSH Biopharm Company Limited	21,687,177	56.48%	1,020,690	2.66%	22,707,867	59.14%
EnhanX Biopharm Inc.	5,000,000	20.83%	7,000,000	29.17%	12,000,000	50.00%
CY Biotech Company Limited	6,326,465	27.54%	0	0	6,326,465	27.54%

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

IV. Company Shares And Fund Raising

1. Company Capital and Shares

(1) Source of Paid-in Capital

Unit：Thousand Shares NT$ Thousand

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

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

Year Month	Par Value (NTD/sahre)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other
2008.09	10	135,000	1,350,000	109,660	1,096,597	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 26
2009.09	10	135,000	1,350,000	128,302	1,283,018	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note27
2010.10	10	200,000	2,000,000	139,849	1,398,490	Capital Surplus Transferred to Common Share	None	Note 28
2011.09	10	200,000	2,000,000	172,574	1,725,736	Surplus Transferred to Common Share & Capital Surplus Transferred to Common Share	None	Note 29
2012.09	10	350,000	3,500,000	213,991	2,139,913	Surplus Transferred to Common Share	None	Note 30
2013.09	10	350,000	3,500,000	233,037	2,330,365	Surplus Transferred to Common Share	None	Note 31
2014.09	10	350,000	3,500,000	248,650	2,486,500	Surplus Transferred to Common Share	None	Note 32

Note 1: Approved by (87) Tai-Cai-Zheng Yi Tze No. 59490 dated July 21, 1998.
Note 2: Approved by (90) Tai-Cai-Zheng Yi Tze No. 142192 dated July 2, 2001.
Note 3: Approved by (91) Tai-Cai-Zheng Yi Tze No. 0910134566 dated June 25, 2002.
Note 4: Approved by Jin Shou Shang Tze No. 09101426020 dated October 29, 2002.
Note 5: Approved by Jin Shou Shang Tze No. 09201030710 dated January 30, 2003.
Note 6: Approved by Jin Shou Shang Tze No. 09212978710 dated July 28, 2003.
Note 7: Approved by Tai-Cai-Zheng Yi Tze No. 0920124705 dated June 9, 2003.
Note 8: Approved by Jin Shou Shang Tze No. 09201323550 dated November 26, 2003.
Note 9: Approved by Jin Shou Shang Tze No. 09301009960 dated January 20, 2004.
Note 10: Approved by Jin Shou Shang Tze No. 09301086530 dated May 20, 2004.
Note 11: Approved by Jin Shou Shang Tze No. 09301131330 dated July 29, 2004.
Note 12: Approved by Jin Shou Shang Tze No. 09301181990 dated September 22, 2004.
Note 13: Approved by Jin Shou Shang Tze No. 09301199330 dated October 27, 2004.
Note 14: Approved by Jin Shou Shang Tze No. 09401009920 dated January 19, 2005.
Note 15: Approved by Jin Shou Shang Tze No. 09401066540 dated April 28, 2005.
Note 16: Approved by Jin Shou Shang Tze No. 09401138890 dated July 22, 2005.
Note 17: Approved by Jin Shou Shang Tze No. 09401181080 dated September 13, 2005.
Note 18: Approved by Jin Shou Shang Tze No. 09401206980 dated October 20, 2005.
Note 19: Approved by Jin Shou Shang Tze No. 09501010730 dated January 28, 2006.
Note 20: Approved by Jin Shou Shang Tze No. 0950107550 dated April 26, 2006.
Note 21: Approved by Jin Shou Shang Tze No. 09501199130 dated September 8 2006.
Note 22: Approved by Jin Shou Shang Tze No. 09601173790 dated July 20, 2007.

Year Month	Par Value (NTD/sahre)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Invested with Assets Other than Cash	Other

Note 23: Approved by Jin Shou Shang Tze No. 09601234620 dated September 29, 2007.
Note 24: Approved by Jin Shou Shang Tze No. 09601263450 dated October 26, 2007.
Note 25: Approved by Jin Shou Shang Tze No. 09601280570 dated November 16, 2007.
Note 26: Approved by Jin Shou Shang Tze No. 09701244740 dated September 22, 2008.
Note 27: Approved by Jin Shou Shang Tze No. 09801199890 dated September 1, 2009.
Note 28: Approved by Jin Shou Shang Tze No. 09901230540 dated October 14, 2010.
Note 29: Approved by Jin Shou Shang Tze No. 10001205420 dated September 6, 2011.
Note 30: Approved by Jin Shou Shang Tze No. 10101189490 dated September 17, 2012.
Note 31: Approved by Jin Shou Shang Tze No. 10201185540 dated September 10, 2013.
Note 32: Approved by Jin Shou Shang Tze No. 10301181010 dated September 5, 2014.

Unit: Share

Category of Share	Authorized Capital Stock		
	Outstanding Shares (Note 1)	Unissued Shares	Total
Registered Common Share	248,649,959	101,350,041	350,000,000

Note 1: Over-the-Counter Company Stock

Note 2: Shelf Registration Form Related Information: None.

(2) Structure of Shareholders

April 27, 2019(Unit: Number, Share)

Structure of Shareholders	Governmental Institution	Financial Institution	Other Institutions	Foreign Institutions and Foreign Individuals	Individuals	Total
Number of Persons	2	14	240	170	30,644	31,070
Shareholding (shares)	1,256,000	40,550,454	38,429,172	54,895,482	113,518,851	248,649,959
Shareholding Ratio (%)	0.50%	16.31%	15.46%	22.08%	45.65%	100.00%

(3) Status of Ownership Dispersion

April 27, 2019

Shareholding class			Number of Shareholders	Shareholding (shares)	Shareholding Ratio (%)
1	to	999	16,463	1,311,206	0.53
1,000	to	5,000	11,689	23,085,525	9.28
5,001	to	10,000	1,491	11,456,820	4.61
10,001	to	15,000	463	5,791,722	2.33
15,001	to	20,000	279	5,063,025	2.04
20,001	to	30,000	237	6,098,369	2.45
30,001	to	40,000	97	3,405,329	1.37
40,001	to	50,000	65	3,007,493	1.21
50,001	to	100,000	134	9,158,471	3.68
100,001	to	200,000	50	7,061,423	2.84
200,001	to	400,000	31	8,535,016	3.43
400,001	to	600,000	16	7,816,166	3.14
600,001	to	800,000	7	5,041,113	2.03
800,001	to	1,000,000	12	10,862,162	4.37
More than 1,000,001			36	140,956,119	56.69
Total			31,070	248,649,959	100.00

Note: No preferred stock issued.

(4) List of Major Shareholders

April 27, 2019

Major Shareholders	Shareholding (shares)	Shareholding Ratio(%)
Dawan Technology Company Limited	22,590,732	9.09
Cathay Life Insurance Co.,Ltd.	12,441,000	5.00
Nan Shan Life Insurance Co., Ltd.	9,439,000	3.80
Fubon Life Insurance Co., Ltd.	7,450,000	3.00
City of New York Group Trust	6,983,376	2.81
Chang,Wen-I	5,113,831	2.06
Hsiao, Ying-Chun	4,985,524	2.01
Chang, Wen-Ling	4,676,960	1.88
Chunghwa Post Co., Ltd.	4,342,843	1.75
Chang, Wen-Hwa	4,308,800	1.73

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

Unit: NT$; share

Item			2017	2018	1Q 2019
Market Price Per Share	Highest		120.5	109	84.4
	Lowest		96.2	74.2	76.9
	Average		102.39	95.29	80.81
Book Value Per Share	Before Distribution		22.11	23.34	24.62
	After Distribution		17.61	—	—
EPS (Earning Per Share)	Weighted Average Number Of Shares		248,650	248,650	248,650
	EPS (Earning Per Share)		5.41	5.88	1.18
Dividend Per Share	Cash Dividend		4.50	4.50(Note1)	—
	Stock Dividend	Stock Dividend	0	0	—
		Stock Dividend	0	0	—
	Cumulative Un-paid Dividend		None	None	None
Analysis of Return on Investment	Price-Earnings (P/E) Ratio		18.93	16.21	—
	Price-Dividend Ratio		22.75	21.18	—
	Cash Dividend Yield(%)		4.39	4.72	—

Note: Yet to be resolved by annul generarl meeting.

(6) Dividend Policy and Execution Status

① The Company’s Dividend Policy

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

(i) In the event of surplus after annual final account, the Company shall, in accordance with laws, first pay taxes a and compensate for losses incurred from previous years before appropriating 10% to serve as legal reserve. However, the Company is not bound by this restriction if the Company’s legal reserve has already reached its paid-in capital amount. Furthermore, special surplus reserve shall be appropriated subject to operation demand and regulations by laws.. In the event of surplus after aforementioned measures, the Board of Directors shall propose a surplus distribution over such surplus and undistributed surplus from the beginning of the period and submit the proposal to shareholders’ meeting for distribution resolution.

(ii) With respect to dividend distribution process, the Board of Directors shall, at the end of each business year, consider such factors as the Company’s profitability status, capital and finance structure, future operation needs, accumulated surplus and legal reserve as well as market competition and proposee a surplus distribution and submit the proposal to shareholders’ meeting for resolution before implementing the proposal.

(iii) For the purpose of enhancing the Company’s financial structure as well as taking care of investors’ rights, the Company adopts a dividend balance policy which, in principle, distributes surplus not less than 50% of distributable earnings of that year while distributing more than 70% of dividend distributed of that year in cash .

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

2019 Proposed Dividend Distribution to the Company’s Shareholders’ Meeting
(Proposed by the Board of Directors dated March 26, 2019)

Type of Dividend	Dividend Per Share (NTD)	Source
Cash Dividend	4.50	Undistributed Earningss

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

(8) Employee, Directors and Supervisors Remuneration

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

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

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

(i) On March 26th, 2019, the Company's Board of Directors approved that estimated basis for distribution of the Company's 2018 employees and directors remuneration will be the Company's pre-tax Income for the period deducted by employee and director pre-remuneration amounts before being multiplied by employee, directors remuneration distribution percentages prescribed in the Company's Articles of Incorporation. Such distribution will be listed as 2018 operating expense. There was no difference between the amount approved by the Board of Directors meeting and the amount recognized in the financial statements.

(ii) The Company does not plan to distribute employees share bonus for current period. As such, estimate for related amounts has not been estimated.

③ Distribution of remuneration Approved by the Board of Directors:

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

On March 26th, 2019, the Company's Board of Directors approved distribution of the Company's 2018 employee remuneration totaled NTD 23.893 million and director remuneration totaled NTD14.95 million, both of which are distributed in cash. There is no discrepancy between distributed amounts and appropriated expense of annual estimated amount.

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

This is not applicable because the Company did not plan to distribute employee share bonus in 2018.

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

For 2017, the Company’s actual distributed amount for employee bonus is NTD 24.04 million, and actual distributed amount for directors compensation is NTD 14.95 millino. There is no discrepancy between actual distribution amounts for employee bonus and directors compensations and estimated amounts on the Company’s 2017 financial statement.

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

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

(1) Corporate Bonds issued：None.

(2) Preferred Stock issued：None.

(3) Global depositary receipts issued：None.

(4) Subscription of warrants for employees：None.

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

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

4. Implementation of Fund Usage Plan

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

V. Operational Highlights

1. Business Activities

(1) Business Scope

① Major Business

(i) C801010 Basic Industrial Chemical Manufacturing

(ii) C802041 Drugs and Medicines Manufacturing

(iii) F108021 Wholesale of Drugs and Medicines。

(iv) F208021 Retail Sale of Drugs and Medicines

(v) F108031 Wholesale of Drugs, Medical Goods。

(vi) F208031 Retail sale of Medical Equipment

(vii) C802060 Animal Use Medicine Manufacturing

(viii) C802070 Herbicides Manufacturing。

(ix) C802080 Pesticides Manufacturing

(x) C802100 Cosmetics Manufacturing

(xi) C804020 Industrial Rubber Products Manufacturing

(xii) C804990 Other Rubber Products Manufacturing

(xiii) C901020 Glass and glass made products manufacturing

(xiv) CF01011Medical Materials and Equipment Manufacturing

(xv) F102170 Wholesale of Food and Grocery

(xvi) F203010 Retail sale of Food and Grocery

(xvii) IG01010 Biotechnology Services

(xviii) ZZ99999 All business items that are not prohibited or restricted by law

② Business Percentage (2018)

Unit: NT$ Thousand

Major Source of Revenue	Sales Revenue	Percentage (%)
Oral	1,912,620	47
Injection	1,789,781	44
Ointment	74,630	2
Others	259,165	7
Total	4,036,196	100

③ Current Products and Services

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

(i) Major Products

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

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

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

(ii) Contract Design Manufacturing
"Contract Design Manufacturing" provides "manufacturing" related total solutions of the pharmaceutical industrial value chain, such as R&D formulation, scale-up batch product, and even customized design for equipment and factory as well as subsequent commercial production.

(iii) CRO Service
The Company comes with abundant experiences in bioassay development and is capable of using professional project management model to speed up pre-clinical drug development. It provides clients with the most appropriate and efficient R&D energy to satisfy the needs for bio-contract tests from both domestic and offshore respective parties while supplementing early-stage bio-research industry chain gap and enhancing industry efficiency.

(iv) PIC/S GMP Business Service

- Contract Manufacturing

  TTY manufactures cytotoxicity injection and capsule as well as non-cytotoxicity lyophilized injection, tablet and capsule. It is able to provide stable and high-quality manufacture performance, implementation of manufacturing technology transfer based on client's requirements, batch product scale-up planning as well as execution of relevant validation operations in order to achieve purpose of product commercialization manufacturing.

- GMP Tutoring

  In addition to passing Taiwan health authority's PIC/S GMP inspection, TTY also passed official GMP factory inspections conducted by numerous countries of Europe, U.S. and Japan. TTY is equipped with complete and qualified quality management system and teams which are able to assist and tutor preparation for domestic or offshore GMP factory inspection as well as establishment of quality system.

- Contract Laboratory

  TTY's QC laboratory is not only installs complete microbiology and sterility analysis laboratory but it is also equipped with analysis capability for special preparations of liposome and lyophilized liposome. This laboratory complies with relevant analysis method and facilities which are continuously updated in pharmacopoeias by advanced countries in Europe, U.S. and Japan. The laboratory is equipped with the capability of analysis method development, technology transfer and validation. Services of contracted chemical and microbiology tests as well as test method development and test method are accepted.

④ New Product (Service) Development Projects

(i) To specialize in new drug development in the anti-cancer, anti-infection, biologic areas and other healthcare sector.
(ii) Continuous research and development of micro-liposomes or special products coated with microspheres, with high efficiency, target drug delivery characteristics, improve curative effect and minimize side effects.
(iii) Continuous updating of chemical drug manufacturing technology and manufacturing documents in line with international market specifications.

(2) Industry Profile

① Current Status and Developementect

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

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

② Industry's Value Chain

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

- **Upstream:** The raw materials of western medicine include general chemicals, natural plants, animals, minerals, microbial strains and related biological derivatives, among which general chemicals are the main raw materials. At present, the quality requirements of raw materials must conform to the standard of Good Manufacturing Practice (GMP), and obtain the approval of the competent authority for the inspection and registration of raw materials and drugs. For conventional medicine, synthetic chemical is the major source of raw material, and for herbal medicine, animal and botanical extract are the major source, and due to the breakthrough in transgene technology, genetically modified animal and plant will become the popular source of raw material in the future.
- **Midstream:** Two main sectors are API manufacture and botanical ingredient processor companies. API manufacture includes organic synthesis, natural

product extraction, microbial fermentation or synthesis post fermentation as well genetic engineering which generates purification and concentration from modified cell fermentation.

- **Downstream:** Pharmaceutical companies are mainly responsible for the manufacturing of easy-to-use end tablets by using API together with pharmaceutical adjuvant such as excipients, disintegrating agents, adhesive and lubricant. Production is this phase needs to comply with cGMP (Current Good Manufacturing Practice) requirements. End products are then distributed through hospitals, clinics and drugstores to meet with patients' needs.

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

③ Industry Outlook

According to the IQVIA report, the global drug expenditure in 2018 is estimated to be $1.2 trillion, and it is estimated to reach $1.505-1.535 trillion in 2023. Before 2023, new drugs such as for cancer treatment, autoimmunity, gene therapy and cell therapy can be expected to continue to enter the markets of developed countries. With the growth of drug demand in emerging countries, the global drug expenditure in the next five years will grow by 3-6% annually. Over the past five years, the average annual growth rate of the US market is 7.2%, that of the five major European countries is 4.7%, that of Japan is 1%, and that of the emerging countries is 9.3%. This is mainly due to the economic development and income increase of these countries, the improvement of medical diagnostic technology, the expansion of the population receiving medical treatment and the promotion of universal health care in the country along with popularization of health care programs. The growth of drug expenditure in developed countries is mainly attributed to the original drug development, but it is also reduced by the expiration of patents for the original drug development. China has become the world's second largest drug consumer market since 2012, after the United States, with an estimated US$137 billion in 2018. The annual growth rate in the past five years is 8% and estimated to grow by 3-6% in the next five years, showing substantial slow down.

Analysis highlights:

(i) With congregation of global population in cities, urban lifestyles, delicate diets, and aggravation of environment quality as well as dramatic increase in global elder population, diseases of hyper tension, high cholesterol, diabetes, depressions and cancer have increased dramatically. This has also stimulated market's demands on chronic disease, autoimmune disorder, cancer drug and biologics.

(ii) Under the trend of globalization, the threat of pandemic influenza, such as Avian flu, Ebola, ZIKV has become a great concern globally, and more research and development in anti-infection drugs will be seen in the coming years.

(iii) Research on gene therapy, cell therapy and protein drugs is still the focus of competition in the R&D departments of pharmaceutical companies. Its significant impact on disease treatment in drug development is becoming more and more complete. In addition, the application of artificial intelligence in medical research and application is expected to bring considerable profits to the pharmaceutical industry, and to have significant impact on future development of the industry.

(iv) In recent years, major pharmaceutical companies explore treatments on Asia specific disease such as viral hepatitis or development of botanic drug's treatment on specific diseases. Additionally, there are also continuous developments on exploration of Central Nervous System disease, personalized precision medical care as well as current drug's new mechanisms on indications.

(v) Due to the growth of economy and drug regulation change, a huge increase of drug demand will occur in pharemging markets, like China, Brazil, India, Turkey, Pakistan, Egypt, etc..

④ Competitive Environment

The impact of implementing PIC/S GMP and imposing new drug regulations to meet developed countries' standards have increased the manufacturing cost and lowered drug prices in Taiwan, which in turn, makes Taiwan become one of the countries with the lowest drug prices in the world.

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

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

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

(3) Research & Development Status

① R&D Expense Disbursement for 2018 and 1st Quarter of 2019

Unit: NT$ Thousand

Item	2018	2019Q1
Research & Development Expense	361,063	73,465

② Technology or Product Successfully Developed

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

Product Name	Indications
Lipo-Dox	Metastatic breast cancer, AIDS-induced Kaposi's sarcoma,

	multiple myeloma, ovarian cancer
UFUR	Gastric cancer, colorectal (colon) cancer, breast cancer, Cisplatin combined treatment of metastatic and advanced lung cancer, head and neck cancer, for the first stage of pathological stage T2 B lung adenocarcinoma patients after surgery adjuvant therapy
Thado	Multiple myeloma, leprosy nodular erythema
Lipo-AB	Leishmaniasis (kala-azar), Bone marrow transplantation complicated with nephrotoxic invasive fungal infection AIDS patients with meningitis, renal insufficiency of the bacterial from renal deficiency
Brosym C+S	Treatment of the following infections caused by susceptible bacteria: upper and lower respiratory tract infections, upper and lower urinary tract infections, peritonitis, cholecystitis, cholangitis and other intraperitoneal infections, pelvic inflammatory disease, endometritis and other genital tract infections, and Traumatic burns, secondary infection after surgery.

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

① Short-term

(i) Marketing

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

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

(ii) R&D

a. Ensuring that core products are listed on target market on time and reaching short-term profit target can also increase the productivity utilization rate and stabilize the productivity with a long life cycle for factories.
b. Achieve economic of scale by completing the development of specialty drug portfolio on the basis of TTY’s high barrier-product platform.
c. Carefully select new drug development targets and develop them with international marketing companies to license and retain market rights of some target countries at the appropriate time in order to increase the number of potential direct marketing products with a long life cycle; in addition to reducing R&D costs to be borne by oneself, it can also obtain licensing funds and sales profits.

(iii) Manufacture

a. Continuous learning and updating of pharmaceutical manufacturing laws and regulations, acceptance and through factory inspection at home and abroad, to maintain a stable high-quality production base.
b. Ensure that the organization has enough capacity to meet all demands through adequate product-line planning and supply management.
c. Grasp the autonomy of raw materials, functional excipients and special packaging materials, and set up suppliers with appropriate quality standards in order to rationally manage costs and stabilize supply sources.

(iv) Management

a. Income from existing sales in Taiwan and mature overseas markets should support future product development and expansion of new bases.
b. Sustain and grow manufacturing capacity through CMO model in specialty

drug area for international companies.

c. Create positive cash flow by out-licensing TTY's products to global market and investing in R&D or new subsidiaries for the future.
d. Maximize revenue and seize mid-term and long-term growth opportunities by observing global health care market and the investment opportunities.
e. Acquire and cultivate talents with entrepreneurship comprehensively by fostering his/her knowledge in science, RA and management, and prepare each department with enough resources for globalization.

② Long-term

(i) Marketing

a. Focus on product life cycle management through market segmentation and product localization in our targeted markets.
b. Enhance TTY's international marketing through the stable CDMO business model in the area of self-developed and co-developed specialty drugs.
c. Increase mid to long-term revenue and the rate of globalization of the business through proper distributor management and raising the number of foreign subsidiaries.

(ii) Manufacture

a. Construct, update and maintain pharmaceutical manufacturing bases that meet the quality requirements of international drug laws and regulations.
b. Amplify manufacturing capacity and R&D through M&A and strategic partnership.
c. Achieve international scale of mass production and lower cost advantage through improving process manufacturing and productivity.

(iii) R&D

a. Improve product portfolio (specialty drugs, generic drugs and new drugs) by carefully evaluating drug development projects and manufacturing capacity.
b. Collaborate with international partners to develop high barrier and high profitable specialty pharma and new medical entities to meet the unmet needs of the market.

(iv) Management

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

Mission:

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

2. Production and Sales Status

(1) Market Analysis

① Markets for our major products

TTY's major sales comes from domestic market, which accounts for 84.27% of the net sales, and export sales majorly comes from the European market, accounting for 11.17%; Major distribution channels are hospitals and clinics, which accounts for more than 70% of the total net sales.

② Outlook

Due to the growing population and aging structure, and the increasing demand for health alertness and treatment, the use of drugs has increased. Therefore, the global pharmaceutical industry will continue to maintain an increase in demand and sustained and stable development in the future. According to IQVIA, global drug spending is going to hit USD1.5 trillion in 2023, a 20% increase comparing to the number in 2018.

③ Competitive niche

(i) In terms of TTY's core competitiveness

a. Precise market positioning
b. Integrated value chain
c. Continuously developing competitive products
d. Pharmaceutical factory inspections by competent authorities in respective major countries shall be passed continuously.

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

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

④ SWOT analysis/Measure

(i) Opportunity/Strength

a. Opportunities for Taiwan pharmaceutical industry

－New policy favoring new drug development
－Up-to-date industry knowledge and the growing number of cross functional talents
－Cooperation in clinical trials between Taiwan and China
－Improving assessment system of regulatory affairs in MOH, which will benefit and encourage more new drug developments

b. Excellent R&D and integration capability

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

(ii) Threat and measures

a. Drug reimbursement policy change

Global Budget System was implemented starting from July of 2001. Up until now, drug prices have been adjusted multiple times. Domestic drug prices and quantities have been under control through Global Budget System. As such, prices and sales of certain drugs have been affected and product offshore sale prices have also been affected. This has resulted in the squeeze of

pharmaceutical companies' revenue and profits.
<u>Measures:</u>

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

b. PIC/S GMP compliance for small companies

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

In order to cope with the trend of international laws and regulations and improve the quality of drugs, Taiwan has implemented the management of DMF (Drug Master File) since 2013. Since 2015, PIC/S GMP has been fully implemented and manufacturers of domestic and imported drugs must conform to PIC/S GMP. Therefore, pharmaceutical factories that do not conform to PIC/S GMP will be eliminated.
<u>Measures:</u>
From its early years, TTY Biopharm Company Limited focused on manufacturing and marketing-oriented traditional generic drug factories, and gradually stepped into the development of innovative generic drugs and the optimality of drugs. It also emphasized that manufacturing factories meet the requirements of international quality regulations.
In addition to continuing to develop its business in Taiwan's core channels (medical centers, regional hospitals and potential regional hospitals), in order to make more effective use of the value of drug development, TTY Biopharm Company Limited is committed to becoming a biotechnology pharmaceutical manufacturer for the development of special dosage forms and international marketing. It specializes in the selection of disease areas, and focuses on the international development of anti-cancer and severe anti-infection drugs, plus developing special dosage forms with high-tech barriers, and to take advantage of the development of innovative generic drugs with dosage forms with high-tech barriers and proven efficacy, to bring products into the international market through the commissioned design and manufacturing mode of large international factories, and to continue to enter the Americas, Europe, Asia and regions of emerging developing countries with partners with multi-national marketing channels in target countries. Establish marketing team to expand business and become the best partner of the major global market drug marketing companies. On the other hand, local strength will be cultivated through development of the greater China market (including

Taiwan and China). In the event that international bio-tech innovation companies are unable to master market conditions for profit making when entering Taiwan and China, TTY Biopharm shall then serve as the best collaborating partner in drug development and marketing for international companies in the fields of anti-cancer and anti-infection. With the long time investment and experience in these fields, TTY Biopharm's existence shall assist international partners to develop drugs effectively, generate profits in market, and therefore create win-win situations.

(2) Important Purpose for Major Products

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

① Oncology Medicine: Drugs for anti cancer and supplementary treatment
② Anti-Infective Drug: Drugs for second line anti infection and vaccine for flu
③ Medical & Healthcare Medicine: Health care for digest system, osteoporosis, Metabolism

(3) Major Raw Material Supply Status

Sources of the Company's raw materials come from both domestic and offshore vendors. To ensure stable source of raw materials, the Company always maintains close collaboration relationship with domestic vendors. The Company also works aggressively in exploring collaboration with offshore raw materials suppliers for the purpose of ensuring the Company's product development is free from raw material restrictions.

Major Purchase Item	Medical Purpose
Docetaxel、Gemcitabine、Anastrogole	Raw Material for Antineoplastic Drug
Benazepril、Mosapride、Calcium Folinate、C+S	Cardiac-Vascular Drug, Gastroenterology Drug, Raw Materials for Antibiotic and Antineoplastic Drug
Thalidomide Pemetrexed、 Amphotericin B、Colistimethate	Raw Materials for Antibiotic and Antineoplastic Drug
Irinotecan	Raw Materials for Antibiotic and Antineoplastic Drug
Petrolatum	Raw Materials for Dermatology Drug
Tegafur、Squalane	Raw Materials for Dermatology and Antineoplastic Drug
Oxaliplatin	Raw Materials for Antineoplastic Drug
Uracil	Raw Materials for Antineoplastic Drug

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

① List of Major Suppliers

List of Major Suppliers in the Last 2 Years

Unit: NT$ Thousand

Rank	2017				2018				2019Q1			
	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer
1	Company A	121,798	13.45	None	Company B	103,001	12.39	None	Company D	45,889	17.70	None
2	—	—	—	—	Company C	91,057	10.96	None	—	—	—	—
	Other	783,667	86.55		Other	636,879	76.65		Other	213,340	82.30	
	Net Purchase Amount	905,465	100.00		Net Purchase Amount	830,937	100.00		Net Purchase Amount	259,229	100.00	

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

② List of Major Clients

List of Major Clients in the Last 2 Years

Unit: NT$ Thousand

Rank	2017				2018				2019Q1			
	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer	Name	Amount	Percent	Relation with the Issuer
1	Company A	639,576	16.04	None	Company A	377,517	9.64	None	Company A	112,024	10.26	None
	Other	3,347,514	83.96		Other	3,540,619	90.36		Other	979,941	89.74	
	Net Sale Amount	3,987,090	100.00		Net Sale Amount	3,918,136	100.00		Net Sale Amount	1,091,965	100.00	

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

(5) Production Volume and Value of Recent Two Years

Table of Production Volume and Value of Recent Two Years

Unit: Granule Thousand; Pill Thousand; NT$ Thousand

Year / Production Capacity / Main Product	2017			2018		
	Production Capacity	Production Quantity	Production Quantity	Production Capacity	Production Quantity	Production Quantity
Ointment	Note 1	2,290	71,289	Note 1	2,048	69,621
Oral	Note 1	360,074	393,661	Note 1	332,102	398,542
Injection	Note 1	3,687	550,148	Note 1	4,863	593,169
Others	Note 1	—	—	Note 1	—	—
Total	—	Note 2	1,015,098	—	Note 2	1,061,332

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

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

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

(6) Sales Volume and Value of Recent Two Years

Table of Sales Volume and Value of Recent Two Years

Unit: Granule Thousand; Pc Thousand; NT$ Thousand

Year / Selling Volume/ Value / Main Products	2017				2018			
	Local Sales		Export Sales		Local Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ointment	2,290	73,160	—	—	2,036	74,630	—	—
Oral	360,700	1,667,333	10,765	68,014	358,317	1,820,313	12,111	92,307
Injection	5,137	1,351,268	513	755,632	4,250	1,327,902	330	461,879
Others	439	71,466	47	217	727	133,938	1,551	7,167
Total	—	3,163,227	—	823,863	—	3,356,783	—	561,353

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

3. Employees

Employee Data for the Last 2 Years and As of Annual Report Publication Date

Year		2017	2018	March 31, 2019
No. of Employee	Management Staff	79	79	79
	R&D Staff	88	98	100
	Other Staff	353	353	361
	Total	520	530	540
Average age		38.30	39.42	39.52
Average years of service		6.90	7.24	7.31
Academy Ratio (%)	Doctor	4.04	4.72	4.68
	Master	38.65	36.98	36.89
	College	48.46	49.62	49.81
	Senior High School	7.50	6.98	6.93
	Below Senior High School	1.35	1.70	1.69

4. Information on Environmental Protection Costs

For the latest year and as of annual report publication date, losses (including compensation) incurred & total penalty amount received from environment contamination, and explanation of future responding strategy and potential expenditure: None.

5. Labor Relations

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

① Employee Benefit Measures

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

Subsidy Item	Explanation	Note
Birthday Cash Gift	Member of the Association will receive birthday cash gift of NTD1, 000 in the month of his/her birthday. Cash gift will be delivered on the 15th of each month.	Employees on leave without pay or contracted employees transferred to full time duty will all be treated as newly recruited staff.

Subsidy Item	Explanation	Note
Wedding Cash Gift	i. Member of this Association with service period less than 1 year but over 3 months will receive a cash gift of NTD3, 600. ii. Member of this Association with service period over 1 year will receive a cash gift of NTD6, 000. iii. If both husband and wife are the Company's employees, they will each receive one cash gift.	i. Application: Please attach a copy of wedding invitation or marriage certificate or household registration certificate and a fee application form, which will be signed and approved by the supervisor ii. Application Deadline: The date of marriage registration shall prevail, and shall be within three months counting from the date of marriage registration.
Birth Cash Gift (including miscarriage for pregnancy over 20 weeks)	i. For colleague of this Association giving birth or spouse of colleague giving birth, a payment of NTD3, 600 will be forwarded accordingly. ii. For colleague with spouse also working in the Company, payment is limited to one payment only. iii. Calculation of each subsidy payment amount is based on the number of new born baby.	i. Application: Submission of child birth certificate or doctor's statement or one copy of household registry together with an expense application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: It will be within 3 months starting from child's birthday. For miscarriage from pregnancy over 20 weeks, deadline will be 3 months starting from occurrence and a doctor's proof shall also be provided
Holiday Cash Gift	Cash Gift of NTD1,000 (Additional gifts for Mid-Autumn Festival.)	Dragon Boat Festival and Mid-Autumn Festival for each year
Illness Hospitalizati on Solarium	i. A Solarium of NTD 3,000 will be forwarded but this is limited to one Solarium each year. (Based on Discharge Date) ii. Visiting gift is limited to NTD1,000 (No discount if not required)	i. Application: Submission of Certificate of Hospitalization together with an expense application is needed. Application shall be signed off by supervisor accordingly. ii. Application Deadline: within 3 months starting from the date of occurrence.

Subsidy Item	Explanation	Note
Funeral Solarium	i. For death of parents, children, spouse or spouse' parents of colleague of this Association: NTD 3,100 of Solarium and a basket of flowers worth NTD2, 000 will be delivered accordingly.（No discount if not required） ii. For death of grandparents, grandparents on mother's side, sibling, grandchildren, grandchildren on daughter's side, great grandparents, great grandparents on mother's side of colleague of this Association: NTD1,500 of Solarium and a basket of flowers worth NTD2,000 will be delivered accordingly (select 1 out of the 2). iii. If more than two persons serve in our company and meet the requirements at the same time, only one of them shall apply for this item.	i. Application: Submission of obituary together with an expense application is needed（Receipt is required for flower basket expenses）Application shall be signed off by supervisor accordingly. ii. Application Deadline: within 3 months after date of occurrence.
Disaster Relief Fund	i. This subsidy item is stipulated by this Association for the purpose of relieving colleague's need for fund when encountering disaster. ii. Definition of Disaster ● Natural force disaster of flood, wind disaster and earthquake. ● Fire: Cause of fire is not from suicide or is not inflicted from others after competent authority's investigation. iii. Explanation of scope of application and Solarium are listed in appendix 1 as follows.	i. Definition of Spouse ● Spouse and Children ● Association Colleague's Parents ● Association Colleague's Grandparents ii. Self-Use Residence: Association colleague's actual place of residence. iii. Disaster Relief Fund：Each colleague may not merge items 1 to 5 for any reason in each accident for a maximum amount of not more than NT$100,000. iv. Application Deadline: within 3 months after the date of disaster occurrence.

Subsidy Item	Explanation	Note
Tuition Subsidy	i. Scope of Application: To encourage Association colleague and their children's education, education subsidy is categorized into "education subsidy" (submission with ID copy or household registry) and "scholarship." ii. Scholarship: ● Application Terms for Domestic Universities: Schools must be public or private legitimate education schools registered in government (e.g., high school and its affiliated school, university, and so on) and public open university, open business college and open administration college, with academic GPA over 80 points for high school, university or graduate school. ● Application Terms for Offshore Universities: With GPA 3.5 points or above or above the same GPA grade A iii. Education Subsidy: Application is allowed for those recognized by local competent authority as low income families and those qualify for scholarship academic performance requirements. iv. Education subsidy application from those studying in schools while receiving public funds (including military school) is not allowed. However, scholarship can be awarded following equivalent school standards. v. Payment of education subsidy will be delivered in accordance with standards prescribed in appendix 2.	i. Application Deadline: within 30 days after the starting of a semester (applications are limited to one application for each of the first and second semester). ii. Scholarship Application: Submission of domestic (offshore) transcript of academic performance together with an expense application is needed. Application shall be signed off by supervisor accordingly. iii. Education Subsidy Application: After the opening of school, applicant shall submit registration payment receipt or student ID card with school stamp together with proof of low income family recognized by local competent authority and a transcript of last semester's academic performance report. ※During application, copies shall be submitted for verification. Original copy will be returned subsequently.

Subsidy Item	Explanation	Note
Travel Subsidy	i. Applicant: Official staff with travel leave. ii. Current year new staff will participate in subsidy plan on a proportion basis. However, for those terminating employment after participation in this plan, a proportionate reduction will be imposed accordingly to both new and old employees. iii. Employees not participating in annual employee travel scheme will be regarded as waiving their rights. iv. Travel subsidy calculation period: January 1 to December 31 of a specific year. v. Subsidy amount shall be in line with Benefit Association's announcement of a specific year. Application is limited to one application only.	i. Application: Applicant shall fill in an expense application, leave request and submit materials announced by Benefit Association. ii. Subsidy Calculation Method: Offshore travel subsidy for 2006 is NTD20, 000.New employee A reports to the Company on March 1st, 2006. His/her travel subsidy will therefore be NTD16, 666 (20,000X10/12). If he/she terminates employment on October 31st, the amount deducted back will therefore be NTD3, 333 (20,000x2/12).
Leisure and recreational events: family day, sports meet, cultural and recreational activities... etc.	Formal employees eligible for withholding welfare benefits are eligible to participate.	

Appendix 1

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

Appendix 2

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

② Employee Education and Training

To fulfill the Company's vision and to enhance employee career development, various training development activities have been implemented on current employees in order to strengthen employee's expertise and skills as well as to achieve organization common goal and create individual's self-achievement. The Company provides employees with various education and training. For internal training, there are trainings for newly-recruited staff, professional classes offered by various departments as well as e-learning. As for external trainings, they are offered based on needs assessment. The Company also offers subsidy to allow employees more career growth opportunities and enhance employee quality and their loyalty towards the Company.

2018 Employee Education and Training Status

Item		Number of course	Total Hours	Total person-Times	Total Expense (NTD)
Internal Training	Freshmen Training	4	64	85	38,689
	General Knowledge School	11	63	214	243,789
	Marketing School	4	19	58	4,255
	R&D School	5	21	108	10,735
	Business School	4	25	84	16,150
	Manufacturing School	4	20	76	8,433
	Leadership Management School	6	36	80	8,845
External Training		251	2,805	251	1,244,851 (Note)
Total		289	3,053	956	1,575,747

Note: Expense amounts exclude amounts paid by employees themselves.

③ Work Environment and Protection Measures for Employee Safety

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

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

i. Guidelines for Nankang Software Park 2nd Phase Access Control Application and Management

ii. Nankang Software Park 2nd Phase Air Pollution Prevention Operation Guidelines

iii. Nankang Software Park 2nd Phase Biotechnology Museum Industrial Waste Management Guidelines

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

For the protection of employee’s safety, the Company also provides insurance items such as group insurance, accident insurance, cancer insurance in addition to labor and health insurance for all employees. Each year, the Company also conducts employee health check to ensure employees’ health. All work places are insured with public accident liability insurance to safeguard client’s rights. The Company also purchases occupational disaster insurance to safeguard employee’s rights.

With respect to factory, the Company complies with laws in reporting its building and fire-fighting equipment public safety equipment inspection to competent authority. The Company also selects its employees to obtain qualified fire-fighting management personnel certificate, drafts fire-fighting plan for work place and maintains safety of work place fire-fighting equipment.

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

Given protection measure's importance over work environment and personal safety, the Company conducts related education training in factories and imposes "labor health and safety education series" education training to employees. Such training includes: average health and safety education training, how to provide safety consciousness, promotion of work place health and class on how to use facial mask accurately. During education training process, learning assessment is also utilized to verify employee learning direction's accuracy for the purpose of ensuring implementation of protection measure concept on work environment and personal safety. New recruits are required to participate in the "Work Safety and Health Training" course. Through education and training, they are familiar with the characteristics and hazards of various chemical substances (hazards and hazardous materials) that may be exposed to the working environment and operations in the factory and work in accordance with the prescribed methods. New recruits who first enter the working area can't enter the production line to work until teach by the colleagues who have been certified by the department the steps to enter the production process area and the work matters that should be paid attention to. The supervisor of the production unit shall keep in mind whether the new recruits comply with the operating standards and will be guided if there is any non-compliance with the operating procedures.

The Company uses a variety of chemicals. In order to avoid chemical pollution, fire, explosion and other hazards, the relevant departments have set emergency response procedures and will be implemented each year with the on-site department to implement chemical spill treatment, personal protective clothing dressing, firefighting, emergency evacuation, and emergency rescue drills to strengthen the concept and skills of the staff's response. In 2015, the LiuDu factory were awarded the "Excellent Management Award for the Joint Prevention of Toxic Chemical Substances "by the Environmental Protection Administration. By cooperating with local authorities, the communication and cooperation experience of joint prevention between factories in the park will be strengthened.

④ With respect to standards for employee retirement qualification and pension payment, the Company's employee retirement rule is as follows

(i) The Company allows voluntary retirement if an employee meets with the one of the followings:

a. Working for over 15 years with 55 years old (as per household registry record);

b. Working for over 25 years;

c. Working for over 10 years with 60 years old;

d. Employee's working years is limited to the years working in the Company, starting from the date of employment. However, working years for employees dispatched by the Company, or employees retained after negotiation with new company during the Company's reorganization or transfer, shall be calculated together with the previous ones.

(ii) The Company is entitled to enforce mandatory retirement to employees with one of the followings:

a. Aged 65 years old (as per household registry record);

b. Physically handicapped and incompetent workers.

c. With respect to aforementioned rule on aged 65 years old, the Company may request competent authority for adjustment approval over employees embarking on special tasks such as dangerous task or task which requires vigor physical strength. Nevertheless, it shall not be younger than 55 years old.

(iii) Employee Pension Payment Standard

a. Pension payment standards for working years after application of Labor Standards Act are as follows:

- Two base points are given for every year of working years. For working years more than 15 years, only one base point is given for every one year, with the maximum number limited to 45 base points. Working year less than half a year will be calculated as half a year, while working year of half a year will be calculated as one year.
- If a worker with physical or mental disabilities is incompetent for compulsory retirement, and his or her physical or mental disabilities are due to the performance of his or her duties, an additional 20% shall be given in accordance with the aforementioned a. requirement.
- Standard for pension base points shall mean one month average salary at the time when retirement is approved.

b. Pension payment standards for working years before application of Labor Standards Act shall be calculated in accordance with applicable laws at that time. In the event that there are no applicable laws, calculation shall therefore be conducted in accordance with the Company's rule or agreement between employee and the Company.

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

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

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

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

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

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

6. Material Contracts

Contract	Counter party	Period	Highlights of Provisions	Restrictive Terms
Contract Manufacturing	Mentholatum Taiwan Limited	Starting from 2014.03	Contract manufacturing rights for Mentholatum product is obtained.	None
Licensing	Phytoceutica, Inc.	Starting from 2006.09	Sole licensing rights is obtained over joint development and sales rights in Taiwan area as well as priority rights to develop prescription drug in Asia countries.	None
Licensing	YM BioScience	Starting from 2006.11	Sole licensing rights are obtained over development, utilization and sales rights in Taiwan area.	None
Sales	Towa Pharmaceutical Company Limited	Starting from 2012.05.15	Product Development, Manufacturing and Sales	None
Licensing	Lotus Pharmaceutical Company Limited.	Starting from 2013.08.22	Product exclusive distribution rights in Taiwan area are obtained.	None
Licensing	Lotus Pharmaceutical Company Limited.	Starting from 2013.02.04	Product exclusive distribution rights in Taiwan area are obtained.	None
Contract Manufacturing	Savior Lifetec Corporation	Starting from 2013.05.01	Contract Product Manufacturing	None
Authorized Distributorship	Taiwan Otsuka Pharmaceutical Company Limited.	Starting from 2015.01.01	Product exclusive distribution rights in Taiwan area are obtained through licensing.	None
Contract Manufacturing	TSH Biopharm Company Limited	Starting from 2015.01.01	Contract Product Manufacturing	None
Authorized Distributorship	Pharma Mar S.A.	Starting from 2015.07.20	Licensed Product selling in Taiwan	None
Licensing	MolMed S.p.A.	Starting from 2017.06.30	Acquisition of Product Exclusive Sales Rights in Some Countries	None
Joint Venture	2-BBB MEDICINES BV	Starting from 2017.05.08	Establishment of Joint Venture	None
Licensing	SEQIRUS UK LIMITED	Starting from 2016.10.31	Product exclusive distribution rights in Taiwan area are obtained.	None

VI.Financial Status

1.Most Recent 5-Year Condensed Financial Information

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

① Consolidated Condensed Balance Sheets

Unit: NT$ Thousand

Item \ Year		Financial Data in the most recent 5-years					1Q 2019 (Note)
		2014	2015	2016	2017	2018	
Current Assets		2,652,811	4,301,026	4,668,280	4,996,590	4,654,601	4,674,595
Property, plant, and equipment		2,302,285	2,295,527	2,585,575	2,548,006	2,474,331	2,444,393
Intangible assets		64,550	50,780	29,648	142,203	153,188	148,721
Other assets		419,891	522,117	237,233	228,438	252,957	254,476
Total assets		7,374,034	8,824,940	9,290,305	9,507,067	9,053,135	9,136,298
Current liabilities	Before distribution	2,492,302	2,068,934	2,280,658	2,782,898	1,971,883	1,713,262
	After distribution	3,113,927	2,939,209	3,225,528	3,901,823	—	—
Noncurrent liabilities		249,292	1,061,056	999,335	612,352	689,627	693,885
Total liabilities	Before distribution	2,741,594	3,129,990	3,279,993	3,395,430	2,661,510	2,407,147
	After distribution	3,363,219	4,000,265	4,224,863	4,514,355	—	—
Shareholder’s equity attributable to parent company		4,194,878	5,101,301	5,378,528	5,496,776	5,804,033	6,121,795
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		378,007	373,985	405,368	396,113	348,819	337,782
Retailed earnings	Before distribution	1,295,468	1,880,805	2,201,572	2,591,732	2,921,893	3,215,672
	After distribution	595,879	889,428	1,337,370	1,472,807	—	—
Other equity		34,903	360,011	285,088	22,431	46,821	81,841
Treasury stock		—	—	—	—	—	—
Non-controlling interest		437,562	593,649	631,784	614,861	587,592	607,356
Total equity	Before distribution	4,632,440	5,694,950	6,010,312	6,111,637	6,391,625	6,729,151
	After distribution	4,010,815	4,824,675	5,065,442	4,992,712	—	—

Note: Financial data of 2019Q1 is reviewed by the CPA. The rest are audited by the CPA.

② Parent-company-only Condensed Balance Sheets

Unit: NT$ Thousand

Item / Year		Financial Data in the most recent 5-years				
		2014	2015	2016	2017	2018
Current Assets		1,409,214	1,922,763	1,913,536	2,386,068	2,122,789
Property, plant, and equipment		2,277,105	2,271,907	2,536,258	2,513,641	2,438,554
Intangible assets		28,443	22,935	13,936	9,189	32,472
Other assets		410,328	483,803	227,178	213,583	228,648
Total assets		6,837,018	8,447,999	8,550,049	8,766,679	8,368,751
Current liabilities	Before distribution	2,392,313	2,285,107	2,171,564	2,652,362	1,870,292
	After distribution	3,013,938	3,155,382	3,116,434	3,771,287	—
Noncurrent liabilities		249,827	1,061,591	999,957	617,541	694,426
Total liabilities	Before distribution	2,642,140	3,346,698	3,171,521	3,269,903	2,564,718
	After distribution	3,263,765	4,216,973	4,116,391	4,388,828	—
Shareholder's equity attributable to parent company		4,194,878	5,101,301	5,378,528	5,496,776	5,804,033
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		378,007	373,985	405,368	396,113	348,819
Retailed earnings	Before distribution	1,295,468	1,880,805	2,201,572	2,591,732	2,921,893
	After distribution	673,843	1,010,530	1,256,702	1,472,807	—
Other equity		34,903	360,011	285,088	22,431	46,821
Treasury stock		—	—	—	—	—
Total equity	Before distribution	4,194,878	5,101,301	5,378,528	5,496,776	5,804,033
	After distribution	3,573,253	4,231,026	4,433,658	4,377,851	—

③ Consolidated Condensed Comprehensive Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Data in the most recent 5-years 2014	2015	2016	2017	2018	1Q 2019 (Note)
Operating income	2,979,902	3,195,218	3,760,717	4,078,760	4,036,196	1,114,608
Gross Profit - net	1,891,999	2,188,349	2,556,944	2,671,059	2,663,879	737,639
Operating profit or loss	338,095	789,787	1,179,687	1,256,990	1,059,677	342,984
Non-Operating income and expense	571,745	735,808	332,372	338,077	608,391	33,042
Net income before tax	909,840	1,525,595	1,512,059	1,595,067	1,668,068	376,026
Net income of continuing operations	909,840	1,525,595	1,512,059	1,595,067	1,668,068	376,026
Loss of discontinued operation	–	–	–	–	–	–
Net income (loss)	811,695	1,246,592	1,254,724	1,368,314	1,462,299	301,379
Other comprehensive profit and loss(net)	16,870	474,189	(65,377)	(381,060)	19,042	47,184
Total current comprehensive profit and loss	828,565	1,720,781	1,189,347	987,254	1,481,341	348,563
Net income attributable to parent company’s shareholders	779,645	1,211,018	1,193,324	1,344,731	1,461,381	293,779
Net income attributable to unrestrictive equity	32,050	35,574	61,400	23,583	918	7,600
Total comprehensive profit and loss attributable to parent company’s shareholders	796,482	1,532,070	1,116,119	1,072,373	1,481,687	328,799
Total comprehensive profit and loss attributable to Non-controlling interest	32,083	188,711	73,228	(85,119)	(346)	19,764
Earnings per share (NTD/share)	3.14	4.87	4.8	5.41	5.88	1.18

Note: Financial data of 2019Q1 is reviewed by the CPA. The rest are audited by the CPA

④ Parent-company-only Condensed Comprehensive Income Statement

Unit: NT$ Thousand

Item \ Year	Financial Data in the most recent 5-years				
	2014	2015	2016	2017	2018
Operating income	2,384,207	2,738,956	3,344,262	3,672,040	3,555,620
Gross Profit - net	1,411,875	1,777,941	2,217,286	2,347,809	2,308,242
Operating profit or loss	267,475	742,529	1,154,182	1,212,214	1,056,651
Non-Operating income and expense	596,585	705,211	277,855	351,484	611,161
Net income before tax	864,060	1,447,740	1,432,037	1,563,698	1,667,812
Net income of continuing operations	779,645	1,211,018	1,193,324	1,344,731	1,461,381
Loss of discontinued operation	–	–	–	–	–
Net income (loss)	779,645	1,211,018	1,193,324	1,344,731	1,461,381
Other comprehensive profit and loss(net)	16,837	321,052	(77,205)	(272,358)	20,306
Total current comprehensive profit and loss	796,482	1,532,070	1,116,119	1,072,373	1,481,687
Earnings per share (NTD/share)	3.14	4.87	4.80	5.41	5.88

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

Year	CPA (Certified public accountant)	Audit opinions
2014	Tseng, Kuo-Yang,Chi, Shi-Qin	Modified Unqualified Opinion
2015	Tseng, Kuo-Yang,Chi, Shi-Qin	Modified Unqualified Opinion
2016	Tseng, Kuo-Yang,Chi, Shi-Qin	Unqualified Opinion
2017	Tseng, Kuo-Yang,Chi, Shi-Qin	Unqualified Opinion
2018	Tseng, Kuo-Yang,Chi, Shi-Qin	Unqualified Opinion

Note: Statement of Auditing Standards No. 33 was applied from 2013 to 2015. Statement of Auditing Standards No. 57 was applied starting from 2016. This is because long term investments assessed in Equity Method were recognized via adoption of other accountants' certified financial reports. Unqualified opinion audit report, which emphasizes on certain critical item, were issued accordingly.

2. Most Recent 5-Year Financial Analysis

(1) Financial Analysis-Consolidated

Analysis item (Note1) \ Year		2014	2015	2016	2017	2018	1Q 2019
		Financial analysis in the most recent 5-years					
Finance structure%	Debt to assets ratio	37.18	35.47	35.31	35.71	29.4	26.35
	Long term funds to property, plant, and equipment ratio	212.04	294.31	271.11	263.9	286.19	303.68
Solvency%	Current ratio	106.44	207.89	204.69	179.55	236.05	272.85
	Quick ratio	85.57	180	178.71	154.06	196.76	230.27
	Interest coverage ratio	48.3	61.15	66.8	64.32	97.49	106.65
Operating ability	Receivables turnover (times)	3.92	3.67	4.04	4.39	4.27	4.73
	Average accounts receivable turnover days	93	99	90	83	85	77
	Inventory turnover (times)	2.13	2	2.19	2.24	1.9	2.06
	Payables turnover (times)	6.77	6.08	8.74	10.99	8.38	10.03
	Average inventory turnover on sale	171	183	167	163	192	177
	Property, plant, and property turnover (times)	1.42	1.39	1.54	1.59	1.61	1.81
	Total asset turnover (times)	0.42	0.39	0.42	0.43	0.43	0.49
Profitability	Return on assets (%)	11.57	15.65	14.06	14.78	15.91	3.35
	Return on shareholder's equity (%)	18.12	24.14	21.44	22.58	23.39	4.59
	Net income before tax to paid-in capital ratio (%)	36.59	61.36	60.81	64.15	67.08	15.12
	Profit margin (%)	27.24	39.01	33.36	33.55	36.23	27.04
	Earnings Per Share (NT$)	3.14	4.87	4.8	5.41	5.88	1.18
Cash flow	Cash flow from operations ratio (%)	23.19	30.9	53.78	35.81	54.46	14.8
	Cash Flow Adequacy Ratio (%)	53.98	56.94	70.34	77.95	82.73	110.75
	Cash Flow Re-investment Ratio (%)	2.17	0.27	0.27	0.76	—	15.54
Leverage	Operating leverage	1.35	1.16	1.1	1.11	1.14	1.12
	Financial leverage	1.06	1.03	1.02	1.02	1.02	1.01

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

1. Current/Quick Ratio and Cash Flow Ratio: Loans due within one year in 2018 (including long-term and short-term) are repaid, and some of them are repaid by borrowing long-term loans, resulting in unequal reduction of current/quick assets.
2. Times Interest Earned: It is due to the reduction of interest costs caused by repayment of loans in 2018.
3. Accounts payable turnover rate (no. of times): The decrease of accounts payable turnover rate is due to the increase of accounts payable at the end of the period due to the 2018 stock reserve.
4. Cash reinvestment flow ratio: This is due to the fact that all cash inflows from 2018 of operating activities have been used for the payment of cash dividends.

(2) Financial Analysis－Parent-company-only

Analysis item（Note1） / Year		Financial analysis in the most recent 5-years				
		2014	2015	2016	2017	2018
Finance structure%	Debt to assets ratio	38.64	39.62	37.09	37.3	30.65
	Long term funds to property, plant, and equipment ratio	195.19	271.27	251.49	243.25	266.49
Solvency%	Current ratio	58.91	84.14	88.12	89.96	113.5
	Quick ratio	39.85	60.75	62.75	65.83	74.69
	Interest coverage ratio	44.57	57.85	57.46	63.07	97.95
Operating ability	Receivables turnover (times)	4.26	3.96	4.17	4.45	4.2
	Average accounts receivable turnover days	86	92	88	82	87
	Inventory turnover (times)	2.16	2.04	2.22	2.3	1.88
	Payables turnover (times)	7.68	7.22	10.09	15.6	10.49
	Average inventory turnover on sale	169	179	164	159	194
	Property, plant, and property turnover (times)	1.15	1.2	1.39	1.45	1.44
	Total asset turnover (times)	0.35	0.36	0.39	0.42	0.42
Profitability	Return on assets (%)	11.63	16.12	14.29	15.77	17.22
	Return on shareholder’s equity (%)	19.32	26.05	22.77	24.73	25.86
	Net income before tax to paid-in capital ratio (%)	34.75	58.22	57.59	62.89	67.07
	Profit margin (%)	32.7	44.21	35.68	36.62	41.1
	Earnings Per Share (NT$)	3.14	4.87	4.8	5.41	5.88
Cash flow	Cash flow from operations ratio (%)	19.62	26.18	61.11	37.59	59.01
	Cash Flow Adequacy Ratio (%)	42.11	48.39	73.22	74.73	83.23
	Cash Flow Re-investment Ratio (%)	0.07	0.27	0.27	0.79	－
Leverage	Operating leverage	1.39	1.15	1.09	1.11	1.12
	Financial leverage	1.08	1.04	1.02	1.02	1.02

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

1. Current Ratio and Cash Flow Ratio: Loans due within one year in 2018 (including long-term and short-term) are repaid, and some of them are repaid by borrowing long-term loans, resulting in unequal reduction of current assets.
2. Times Interest Earned: It is due to the reduction of interest costs caused by repayment of loans in 2018.
3. Average sales days and payable turnover rate: This is due to the increase in inventory and accounts payable at the end of 2018 due to the advance stock preparation in response to future demand for sales.

Note1: The following equations should be included in the end of the annual report:

1. Finance structure
   (1) Debt to assets ratio =Total liabilities/total assets.
   (2) Long term funds to property, plant, and equipment ratio = (Total shareholders' equity + long-term liabilities)/net property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/current liabilities
   (2) Quick ratio = (Current assets - inventory - prepaid expenses)/current liabilities
   (3) Interest coverage ratio = Net income before tax and interest expense/current interest expense
3. Operating ability
   (1) Receivables (including Account Receivable and Note Receivable from operating) turnover = Net sales/average accounts receivable (including Account Receivable and Note Receivable from operating)
   (2) Average accounts receivable turnover days = 365 days/average receivable turnover
   (3) Inventory turnover (times) = Cost of goods sold/average inventory
   (4) Payables (including Account payable and Note payable from operating) turnover = Cost of goods sold/average accounts payable (including Account payable and Note payable from operating)
   (5) Average inventory turnover days = 365 days/average inventory turnover
   (6) Property, plant, and equipment turnover (times) = Net sales/net average property, plant, and equipment
   (7) Total asset turnover = Net sales/average total assets
4. Profitability
   (1) Return on assets = [net income + interest expense x (1-tax ratio)]/average total assets
   (2) Return on shareholder's equity = Net income/net average shareholder's equity
   (3) Profit Ratio = Net income/net sales
   (4) Earnings per Share = (Net income - preferred stock dividend)/weighted average number of shares issued.(Note 2)
5. Cash flow
   (1) Cash flow ratio = Cash flow from operating activities/current liabilities
   (2) Net Cash flow adequacy ratio = Net cash flow from operating activities of recent five fiscal years/recent five fiscal years'(capital expenditure + increase in inventory + cash dividend)
   (3) Cash re-investment ratio = (Net cash flow from operating activities - cash dividend)/ (gross property, plant, and equipment + long-term investment + other asset + operating fund)(Note 3)

6. Leverage

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

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

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

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

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

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

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

Note5: For company shares are without par value or the par value are not equivalent to NT$10, the aforementioned calculation of paid-in capital ratio is calculated on the equity attributable to shareholders of the parent company on the balance sheet.

3. Most Recent Review Report by Audit Committee

TTY BIOPHARM COMPANY LIMITED

Audit Committee's Review Report on the 2018 Financial Statements

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements (including consolidated financial statements), and proposal for allocation of profits. CPAs of KPMG, Tseng Kuo-Yang and Chih Shih-Qin were retained to audit the Company's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To: 2019 Annual Shareholders Meeting of TTY Biopharm Company Limited

Hsueh, Ming-Ling

Chairman of the Audit Committee

March 26, 2019

4. 2018 Consolidated Financial Statements with Subsidiaries Audited by CPA：

Please refer to Page 138-221.

5. 2018 Financial Statements Audited by CPA

Please refer to the Page 222-293.

6. The Company Should Disclose the Financial Impact to the Company If the Company and Its Affiliated Companies Have Incurred Any Financial or Cash Flow Difficulties in 2018 and the Publication Date of the Annual Report:None.

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

We have audited the consolidated financial statements of TTY Biopharm Company Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1.Revenue recognition

Please refer to Notes 4(q) of the consolidated financial statements for the accounting principles on revenue recognition.

Key audit matters:

The Group's operating revenue is $4,036,196 thousand, and it has a significant impact on financial statement if operating revenue is not fairly presented. Thesefore, the cut-off date of operating revenue is one of the important issue in performing our audit procedures.

Auditing procedures performed

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

2. Inventory valuation

Please refer to Notes 4(h), 5 and Note6(g) of the consolidated financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

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

Auditing procedures performed:

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

Other Matter

We did not audit the financial statements of PharmaEngine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 6.33% and 7.50% of the related consolidated total assets as of December 31, 2018 and 2017, respectively, and the related investment gains represented 1.23% and 4.30% of the consolidated profit before tax for the years ended December 31, 2018 and 2017, respectively.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2019

Notes to Readers

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

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

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a), (z) and 7)	$ 2,372,294	27	1,441,374	15
1120	Current financial assets at fair value through other comprehensive income (note 6(c) and (z))	132,560	1	-	-
1150	Notes receivable, net (note 6(e), (z) and 7)	40,063	-	73,339	1
1170	Accounts receivable, net (note 6(e) and (z))	837,003	9	915,846	10
1180	Accounts receivable due from related parties, net (note 6(e), (z) and 7)	16,156	-	8,973	-
1200	Other receivables, net (note 6(f), (z) and 7)	76,821	1	73,622	1
130X	Inventories (note 6 (g))	750,888	8	693,713	7
1410	Prepayments	23,749	-	15,511	-
1476	Other current financial assets (note 6(a), (m), and (z))	398,271	4	1,771,755	19
1470	Other current assets (note 6(m))	6,796	-	2,457	-
		4,654,601	50	4,996,590	53
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b) and (z))	5,496	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c) and (z))	322,276	4	-	-
1523	Non-current available-for-sale financial assets, net (note 6(d) and (z))	-	-	286,586	3
1550	Investments accounted for using equity method, net (note 6(h))	901,648	11	1,024,020	11
1600	Property, plant and equipment (note 6(j))	2,474,331	28	2,548,006	27
1760	Investment property, net (note 6(k))	88,150	1	89,023	1
1780	Intangible assets (note 6(l))	153,188	2	142,203	1
1840	Deferred tax assets (note 6(r))	38,072	-	30,912	-
1915	Prepayments for business facilities	188,633	2	169,161	2
1920	Refundable deposits paid (note 6(z))	26,252	-	28,365	-
1981	Cash surrender value of life insurance (note 6(z))	13,357	-	7,275	-
1984	Other non-current financial assets (note 6(a), (m), (z) and 8)	143,678	2	124,326	1
1990	Other non-current assets (note 6(m))	43,453	-	60,600	1
		4,398,534	50	4,510,477	47
	Total assets	$ 9,053,135	100	9,507,067	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(n) and (z))	$ 1,150,000	13	1,650,000	18
2130	Contract liabilities-current(note 6 (u))	6,405	-	-	-
2150	Notes payable (note 6(z))	3,761	-	37,403	-
2160	Notes payable due to related parties (note 6(z) and 7)	-	-	22,464	-
2170	Accounts payable (note 6(z))	154,621	2	95,055	1
2180	Accounts payable due to related parties (note 6(z))	14,382	-	-	-
2230	Current tax liabilities	132,286	1	131,881	1
2200	Other payables (note 6(z) and 7)	469,037	5	496,623	5
2300	Other current liabilities	41,391	-	49,472	1
2320	Long-term liabilities, current portion (note 6(o) and (z))	-	-	300,000	3
		1,971,883	21	2,782,898	29
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(o) and (z))	350,000	4	250,000	3
2570	Deferred tax liabilities (note 6(r))	278,723	3	298,136	3
2640	Net defined benefit liability, non-current (note 6(q))	58,459	1	54,310	-
2645	Guarantee deposits received (note 6(z))	2,445	-	10,086	-
		689,627	8	612,532	6
	Total liabilities	2,661,510	29	3,395,430	35
	Equity attributable to owners of parent (note 6(s)):				
3100	Capital stock	2,486,500	28	2,486,500	27
3200	Capital surplus	348,819	4	396,113	4
3310	Legal reserve	857,418	9	722,945	8
3320	Special reserve	110,154	1	110,154	1
3350	Unappropriated retained earnings	1,954,321	22	1,758,633	18
3400	Other equity interest	46,821	1	22,431	-
	Equity attributable to the parent company:	5,804,033	65	5,496,776	58
36XX	Non-controlling interests (note 6(s))	587,592	6	614,861	7
	Total equity	6,391,625	71	6,111,637	65
	Total liabilities and equity	$ 9,053,135	100	9,507,067	100

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 Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(u), (v) and 7)**	$ 4,036,196	100	4,078,760	100
5000	**Operating costs (note 6(g) and 7)**	1,372,317	35	1,407,701	35
	Gross profit	2,663,879	65	2,671,059	65
5910	Less:Unrealized profit (loss) from sales	7,046	-	6,346	-
5920	Add:Realized profit (loss) from sales	6,346	-	4,132	-
	Gross profit, net	2,663,179	65	2,668,845	65
6000	**Operating expenses (note 6(q), and 12):**				
6100	Selling expenses	903,799	22	824,571	20
6200	Administrative expenses	344,496	9	291,609	7
6300	Research and development expenses	361,063	9	295,675	7
6450	Reversal of provision for bad debt expense	(5,856)	-	-	-
	Total operating expenses	1,603,502	40	1,411,855	34
	Net operating income	1,059,677	25	1,256,990	31
	Non-operating income and losses (note 6(x) and 7):				
7010	Other income	42,634	1	35,135	1
7020	Other gains and losses, net	530,118	13	214,440	5
7050	Finance costs, net	(17,287)	-	(25,191)	(1)
7070	Share of profit of associates accounted for using equity method, net (note 6(h))	52,926	1	113,693	3
	Total non-operating income and losses	608,391	15	338,077	8
	Profit before tax	1,668,068	40	1,595,067	39
7950	Less: Income tax expense (note 6(r))	205,769	5	226,753	6
	Profit for the year	1,462,299	35	1,368,314	33
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(4,102)	-	(9,701)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,368)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(5,470)	-	(9,701)	-
8360	**Components of other comprehensive income that may be reclassified to profit or loss**				
8361	Exchange differences on translation	49,336	1	(117,382)	(3)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(273,278)	(7)
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	(18,572)	-	(642)	-
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	(6,252)	-	19,943	-
	Components of other comprehensive income that may be reclassified to profit or loss	24,512	1	(371,359)	(10)
8300	**Other comprehensive income, net**	19,042	1	(381,060)	(10)
	Total comprehensive income for the year	**$ 1,481,341**	**36**	**987,254**	**23**
	Profit attributable to:				
	Owners of parent	$ 1,461,381	35	1,344,731	32
	Non-controlling interests	918	-	23,583	1
		$ 1,462,299	**35**	**1,368,314**	**33**
	Comprehensive income attributable to:				
	Owners of parent	$ 1,481,687	36	1,072,373	25
	Non-controlling interests	(346)	-	(85,119)	(2)
		$ 1,481,341	**36**	**987,254**	**23**
	Earnings per share, net of tax (note 6(t))				
	Basic earnings per share	**$**	**5.88**		**5.41**
	Diluted earnings per share	**$**	**5.87**		**5.40**

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Share capital		Retained earnings			Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2017	$ 2,486,500	405,368	603,613	110,154	1,487,805	(2,362)	-	287,450	285,088	5,378,528	631,784	6,010,312
Profit for the year	-	-	-	-	1,344,731	-	-	-	-	1,344,731	23,583	1,368,314
Other comprehensive income	-	-	-	-	(9,701)	(97,372)	-	(165,285)	(262,657)	(272,358)	(108,702)	(381,060)
Total comprehensive income	-	-	-	-	1,335,030	(97,372)	-	(165,285)	(262,657)	1,072,373	(85,119)	987,254
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	119,332	-	(119,332)	-	-	-	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(944,870)	-	-	-	-	(944,870)	(51,804)	(996,674)
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	5,070	-	-	-	-	-	-	-	5,070	-	5,070
Disposal of subsidiaries or investments accounted for using equity method	-	(14,325)	-	-	-	-	-	-	-	(14,325)	-	(14,325)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	120,000	120,000
Balance on December 31, 2017	2,486,500	396,113	722,945	110,154	1,758,633	(99,734)	-	122,165	22,431	5,496,776	614,861	6,111,637
Effects of retrospective application	-	-	-	-	(43)	-	122,167	(122,165)	2	(41)	-	(41)
Equity at beginning of period after adjustments	2,486,500	396,113	722,945	110,154	1,758,590	(99,734)	122,167	-	22,433	5,496,735	614,861	6,111,596
Profit for the year	-	-	-	-	1,461,381	-	-	-	-	1,461,381	918	1,462,299
Other comprehensive income	-	-	-	-	(4,102)	43,040	(18,632)	-	24,408	20,306	(1,264)	19,042
Total comprehensive income	-	-	-	-	1,457,279	43,040	(18,632)	-	24,408	1,481,687	(346)	1,481,341
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	134,473	-	(134,473)	-	-	-	-	-	-	-
Cash dividends of ordinary share distributed	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)	(35,093)	(1,154,018)
Other changes in capital surplus:												
Changes in equity of associates accounted for using equity method	-	(10,703)	-	-	-	-	-	-	-	(10,703)	-	(10,703)
Disposal of subsidiaries or investments accounted for using equity method	-	(36,591)	-	-	-	-	-	-	-	(36,591)	-	(36,591)
Changes in ownership interests in subsidiaries	-	-	-	-	(8,170)	-	-	-	-	(8,170)	8,170	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20	-	(20)	-	(20)	-	-	-
Balance on December 31, 2018	**$ 2,486,500**	**348,819**	**857,418**	**110,154**	**1,954,321**	**(56,694)**	**103,515**	**-**	**46,821**	**5,804,033**	**587,592**	**6,391,625**

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,668,068	1,595,067
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	127,376	133,246
Amortization expense	18,180	8,143
Reversal of provision for bad debt expense	(5,856)	-
Net loss on financial assets or liabilities at fair value through profit or loss	406	-
Interest expense	17,287	25,191
Interest income	(32,111)	(22,273)
Dividend income	(373)	-
Share of profit of associates accounted for using equity method	(52,926)	(113,693)
Loss on disposal of property, plant and equipment	1,113	1,967
Gain on disposal of investments accounted for using equity method	(495,569)	(222,174)
Unrealized profit (loss) from sales	7,046	6,346
Realized loss (profit) from sales	(6,346)	(4,132)
Allocation of deferred income	(988)	(1,010)
Decrease in provisions	-	(5,327)
Total adjustments to reconcile profit (loss)	(422,761)	(193,716)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	33,276	(11,061)
Accounts receivable	77,556	(128,037)
Other receivable	(32,506)	3,264
Inventories	(57,214)	(128,256)
Prepayments	(11,369)	13,019
Total changes in operating assets	9,743	(251,071)
Changes in operating liabilities:		
Current contract liabilities	(15,147)	-
Notes payable	(56,106)	43,295
Accounts payable	73,964	11,427
Other payable	(26,978)	14,394
Other current liabilities	13,284	932
Net defined benefit liability	47	(12)
Total changes in operating liabilities	(10,936)	70,036
Total changes in operating assets and liabilities	(1,193)	(181,035)
Total adjustments	(423,954)	(374,751)
Cash inflow generated from operations	1,244,114	1,220,316
Interest received	32,076	20,974
Dividends received	53,272	66,502
Interest paid	(17,427)	(25,074)
Income taxes paid	(238,237)	(286,198)
Net cash flows from operating activities	1,073,798	996,520
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(170,063)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	50	-
Acquisition of financial assets at fair value through profit or loss	(5,507)	-
Acquisition of available-for-sale financial assets	-	(20,659)
Proceeds from disposal of investments accounted for using equity method	591,629	213,714
Acquisition of property, plant and equipment	(46,871)	(83,787)
Proceeds from disposal of property, plant and equipment	158	114
Decrease (increase) in refundable deposits paid	2,116	(4,367)
Acquisition of intangible assets	(12,210)	(700)
Decrease (increase) in other financial assets	1,370,220	(771,268)
Increase in prepayments for business facilities	(27,224)	(13,004)
Increase in other non-current assets	(5,899)	(50,110)
Net cash flows from investing activities	1,696,399	(730,067)
Cash flows from (used in) financing activities:		
Increase in short-term loans	6,272,730	8,719,000
Decrease in short-term loans	(6,772,730)	(8,318,010)
Proceeds from long-term debt	300,000	250,000
Repayments of long-term debt	(500,000)	(530,000)
Decrease in guarantee deposits received	(7,640)	101
Cash dividends paid	(1,118,925)	(944,870)
Change in non-controlling interests	(35,093)	(51,804)
Net cash flows used in financing activities	(1,861,658)	(875,583)
Effect of exchange rate changes on cash and cash equivalents	22,381	(58,209)
Net increase (decrease) in cash and cash equivalents	930,920	(667,339)
Cash and cash equivalents at beginning of year	1,441,374	2,108,713
Cash and cash equivalents at end of year	$ 2,372,294	1,441,374

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

(3) New standards and interpretations not yet adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

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

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The impacts of significant changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it doesn't need to restate those contracts, instead, continues to apply IAS 11, IAS 18 and the related interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it doesn't need to restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sales of products, revenue was recognized based on the individual terms of each sales agreement when (i) the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership were transferred, (ii) sales and costs can be measured reliably and are recoverable and (iii) there is no involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) The impacts of the consolidated financial statements

The adoption of IFRS 15 did not have any material impact on the Group’s consolidated financial statements.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Additionally, the Group adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" to disclose the information from 2018 but generally have not been applied to comparative information.

(Continued)

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

The following are the nature and impacts on changing of accounting policies:

1) Classification of financial assets and financial liabilities

There are three classification categories for financial assets under IFRS 9: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets is based on the business model and its contractual cash flow characteristics. The standard eliminates the categories of held to maturity, loans and receivables and available for sale under IAS 39. The accounting policies of the Group under IFRS 9, please refer to Note 4(g).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

Under IAS 39, impairment losses were recognized when they incurred. After the adoption of IFRS 9, impairment losses will be recognized by using expected credit loss (ECLs) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than IAS 39 – please refer to Note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

·Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018 under IFRS 9.

·The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

—The determination of the business model within which a financial asset is held.

— The designation of certain investments in equity instruments measured at FVOCI, which are not held for trading.

·If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

(Continued)

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

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
Financial Assets	**Measurement categories**	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Cash and equivalents	Loans and receivables	$ 1,441,374	Amortized cost	1,441,374
Investment in debts securities	Available-for-sale (Note 1)	395	Designated as fair value through profit or loss	395
Equity instruments	Available-for-sale (Note 2)	286,191	Measured by fair value through other comprehensive income	286,191
Account receivable	Loans and receivables (Note 3)	1,071,780	Amortized cost	1,071,780
Other financial assets (Including guarantee deposits paid and cash surrender value of life insurance)	Loans and receivables	1,931,721	Amortized cost	1,931,721

Note1: The corporate debt securities categorized as available-for-sale under IAS 39. The Group assesses that these securities are held within a business model whose objective is achieved by collecting the contractual cash flows. These financial assets give rise on specified dates to cash flows but that are not solely payments of principal and interest on the principal amount outstanding. Consequently, the Group has designated these investments at the date of initial application as measured at FVTPL, resulting in an increase of $2 thousand in other equity and a decrease of $2 thousand in retained earnings on January 1, 2018.

Note2: These equity securities represent investments that the Group intends to hold for the long term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Note3: Notes and accounts receivables that were classified as loans and receivables under IAS 39 are classified as amortized cost now.

(Continued)

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

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

		2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings adjustments	2018.1.1 Other equity adjustments
Fair value through profit or loss							
Beginning balance of FVTPL (IAS 39)	$	-	-	-		-	-
Additions – debt instruments:							
From available for sale		-	395	-		(2)	2
Total	$	-	395	-	395	(2)	2
Fair value through other comprehensive income							
Beginning balance of available for sale (including measured at cost) (IAS 39)	$	286,586	(286,586)	-		-	-
Subtractions – debt instruments:							
To FVOCI – required reclassification based on classification criteria		-	286,191	-		-	-
Total	$	286,586	(395)	-	286,191	-	-

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single leasee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, rent expense will be replaced by depreciation and interest expense in the income statement. There are exemptions for short-term leases and leases of low-value items. The accounting stays the same for lessors, which is to classify their leases as either financial leases or operating leases for those two types of leases differently.

(Continued)

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

1) Determining whether an arrangement contains a lease

   The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose to apply either of the following:

   · reassessing all its contracts; or

   · as a practical expedient, the Group does not need any reassessment.

   The Group plans to apply the practical expedient. It means that the Group will apply IFRS 16 to all contracts begin from January 1, 2019.

2) Transition

   As a lessee, the Group can apply the standard using either of the following:

   · full retrospective approach; or

   · modified retrospective approach with optional practical expedients.

   On January 1, 2019, the Group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

   When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can select, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses practical expedients below:

   · Applying a single discount rate to a portfolio of leases with similar characteristics

   · Applying the exemption, not to recognize the right-of-use assets and liabilities of leases with lease term that ends within 12 months from the date of initial application.

   · Exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

   · Determining the lease term if the contract contains options to extend or terminate the lease in hindsight.

3) So far, the most significant impact is that the Group will have to recognize the right-of-use assets and lease liabilities for the operating leases of its offices. The Group estimated that both the right-of-use assets and the lease liabilities will be increased by $9,880. No significant impact is expected for the Group’s finance leases. Besides, The Group does not expect the adoption of IFRS 16 will have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(Continued)

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards.

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations"), IFRSs, International Accounting Standards, and IFRIC Interpretations and SIC Interpretations endorsed by FSC.

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Financial instrument measured at fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) The net defined benefit liability is recognized as the fair value of the plan assets less the present value of the defined benefit obligation and the ceiling for the effect on the asset mentioned in Note 4(r).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise of the Company and subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances, transactions, and any unrealized income or expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

			Shareholding ratio		
Investor	**Subsidiary**	**Nature of business**	**December 31, 2018**	**December 31, 2017**	**Notes**
The Company	Xudong Haipu International Co., Ltd	Investing activities	100.00 %	100.00 %	
The Company	WorldCo. International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %	
The Company	American Taiwan Biopharma Philippines	Selling medicine	87.00 %	87.00 %	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	

(Continued)

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

			Shareholding ratio		
Investor	**Subsidiary**	**Nature of business**	**December 31, 2018**	**December 31, 2017**	**Notes**
The Company	EnhanX Biopharm, Inc.	Developing medicine	20.83 %	29.41 %	(Note 1)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	100.00 %	100.00 %	
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	
Xudong Haipu International	EnhanX Biopharm, Inc	Developing medicine	29.17 %	- %	(Note 1)
Xudong Haipu International	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	- %	(Note 2)
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	- %	(Note 3)
Worldco International Co., Ltd	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	- %	(Note 3)

(Note 1) In August 2017, the Group and 2-BBB Medicines BV, registered in the Netherlands, established EnhanX Inc. with $50,000 in cash and $120,000 in patent, the Group held more than one half of its directors' position; thus, EnhanX Inc. became a subsidiary of the Group. In October 2018, the subsidiary, Xudong Haipu International Co., Ltd. increased the capital of EnhanX Inc. by cash amounted to $70,000, which increased the shareholding ratio of the Group to 50%. As of December 31, 2018, the paid-in capital of EnhanX Inc. amounted to $240,000.

(Note 2) In September 2018, Xudong Haipu International Co., Ltd. established TTY Biopharm Korea Co., Ltd. as its subsidiary; thus, the Group achieved controlling interest. TTY Biopharm Korea Co., Ltd. is listed as a subsidiary of the consolidated financial statement.

(Note 3) In September 2018, Xudong Haipu International Co., Ltd. and Worldco International Co., Ltd. established TTY Biopharm Mexico S.A. de C.V; thus, the Group achieves controlling interest and TTY Mexico S.A. de C.V. is listed as a subsidiary of the consolidated financial statement.

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

(d) Foreign currencies

(i) Foreign currencies transactions

Transactions in foreign currencies are translated to the respective functional currencies, according to the exchange rates for the entities of the Group, at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of the date. The foreign currency gain or loss on monetary items are the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and the payments during the period, as well as the amortized cost in foreign currency translated at the exchange rate at the end of the period.

(Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date that the fair value was determined. Non monetary items in a foreign currency are measured based on historical cost translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (Available for sale) equity investment;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

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

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

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

(i) It is expected to be realized, or is intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, while all other liabilities are classified as non-current. An entity shall classify a liability as current when:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be classified as other current and/or non-current financial assets.

Bank overdrafts that are repayable on demand and form an integral part of the Group’ s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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A financial asset measured at amortized cost is initially recognized at fair value, in addition to any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at FVOCI is initially recognized at fair value, in addition to any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of financial assets are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

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

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets) and contract assets.

The Group calculates the allowances at an amount equal to lifetime expected credit loss (ECL), except for the followings:

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

The allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- default (i.e. delay or overdue of payment terms);
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in OCI instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented it in the line item of non operating income and expenses in the statement of comprehensive income.

(Continued)

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(ii) Financial assets (applicable before January 1, 2018)

Financial assets are classified into the following categories: available-for-sale financial assets and loans and receivables.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in the non-operating income and expenses.

Interest income from investment in debt instrument is recognized in profit or loss, under other income of non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in other income of non-operating income and expenses.

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3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

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Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available -for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of other financial assets are recognized in other income of non-operating income and expenses.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or loss is included in other income of non-operating income and expenses.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented it in the line item of non operating income and expenses in the statement of comprehensive income.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

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2) Other financial liabilities

Financial liabilities are not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in financial cost of non-operating income or expenses.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

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

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

(i) Investment in associates

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

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

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio, under capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

(Continued)

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Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

(j) Investment property

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and depreciation method of that significant part are the as those of another significant part of that same item.

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The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated at the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	2-60 years
Machinery equipment	2-24 years
Transportation equipment	5-8 years
Office and other equipment	1-30 years

The significant components of buildings are the main building, mechanical and electrical equipment, engineering system, etc. They're amortized over their useful life of 30~50 years, 10~25 years, and 10 years, respectively.

The depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(iv) Reclassification as investment property

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

(Continued)

(l) Lease

(i) Lessor

A finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, and are not recognized in the Group's consolidated balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

The Group shall evaluate an arrangement at inception. If the fulfillment of the arrangement is dependent on the use of specific asset or the shift of use of an asset, such an arrangement is or contains a lease. The Group determines whether the lease is classified as a finance lease or an operating lease according to previous principles at inception or on reassessment of the arrangement.

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If an arrangement includes the lease and other factors, the Group will divide the amount and other considerations required for the arrangement into a portion of the lease and other components on the basis of the relative fair values. If the Group considers it is unable to distinguish the payment in practice reliably, in the case of a finance lease, the fair value of the underlying asset is recognized as an asset and liability. Subsequently, the liability is reduced at the actual payment, and the current financial cost of the liability is calculated based on the incremental borrowing interest rate of the Group. On the contrary, in the case of operating leases, all payments are treated as lease expenses, and the Group will disclose situations that cannot be reliably distinguished in note.

(m) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

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(iv) Amortization

The amortizable amount is the cost of an asset, less its residual value.

Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1)	Patents and franchise	3.25~10 years
2)	Computer software	3~10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least on the annual reporting date. Any change shall be accounted for as a change in accounting estimate.

(n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventory, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased.

If there is any change in the estimation of the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or CGU to its recoverable amount, but not more than the amount of the individual assets or CGU are deducted from the depreciation or amortization without recognizing impairment loss in the previous year.

(o) Cash surrender value of life insurance

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

(p) Provisions

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

(q) Recognition of revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

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

1) Sale of goods

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

A receivable is recognized when the goods are delivered, since this is the point in time when the Group has a right to unconditional considerations.

2) Authorization revenue

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

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

3) Financing components

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

(Continued)

(ii) Recognition of revenue (applicable before January 1, 2018)

1) Sales of goods

Revenue from the sales of goods is measured at the fair value under the consideration of whether the good is returned, obtained trade discounts, or volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue, and the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

2) Services

The Group provides consultancy services and management services to its customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

3) Commisions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

4) Rent revenue

Rental income from investment properties is recognized on a straight-line basis over the lease period. The lease incentives given are considered to be part of the total lease income and are recognized as a decrease in rental income on a straight-line basis over the lease period. Revenue generating from sub-lease of real estate is recognized as “rental income” under non-operating income and expenses.

(iii) Contract costs (applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

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

(r) Employee benefits

(i) Defined contribution plan

Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’s net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group’s net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

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The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Remeasurements of the net defined benefit liability (asset) are listed under Retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) (note 2) on bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)

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(s) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transactions.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(Continued)

(t) Earnings per share

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

(u) Operating segments

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

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

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

・Valuation of inventories

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

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash on hand	$	2,864	2,905
Cash in banks		2,309,430	1,241,649
Time deposits		60,000	196,820
	$	**2,372,294**	**1,441,374**

(i) The above cash and cash equivalents were not pledged as collateral.

(ii) Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets─current and noncurrent.

(iii) Refer to Note 6(z) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

		December 31, 2018	December 31, 2017
Designated as financial assets measured at fair value through profit or loss			
Domestic preferred stock ETFS	$	**5,496**	**-**

(i) Please refer to Note 6(x) for the amount of profit or loss recognized based on fair value.

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

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

		December 31, 2018
Equity instrument measured at fair value through other comprehensive income:		
Domestic common stock－Lumosa Therapeutics Co., Ltd.	$	176,580
Domestic common stock－Handa Pharmaceuticals, Inc.		83,081
Domestic listed common stock－Cathay Financial Holding Co., Ltd.		4,700
Domestic listed common stock－Fubon Financial Holding Co., Ltd.		14,115
Domestic listed preferred stock－Fubon Financial Holding Co., Ltd. Preferred Shares B		155,000
Domestic listed preferred stock－Union Bank of Taiwan Preferred Shares A		21,360
Total	$	**454,836**

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(i) The Group holds these equity instrument as long-term strategic investments, and has designed these investments at the date of initial application as measured at FVOCI. Other than Cathay Financial Holding Co., Ltd. common stock, Fubon Financial Holding Co., Ltd, common and preferred stocks, the remaining investments listed above were recognized as available-for-sale financial assets as of December 31, 2017, please refer to Note 6(d).

(ii) The subsidiary, TSH Biopharm Co., Ltd sold the domestic common stock, Lumosa Therapeutics Co., Ltd. at fair value of $50 and recognized disposal gain of $35; thus, the Group reclassified its disposal gain from other equity to retained earnings of $20.

(iii) Refer to Note 6(z) for credit and market risk information.

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

(d) Available-for-sale financial assets

	December 31, 2017
Available for sale financial assets：	
Domestic common stock－Lumosa Therapeutics Co., Ltd	$ 171,100
Domestic common stock－Handa Pharmaceuticals, Inc.	95,051
Domestic listed preferred stock－Union Bank Taiwan Preferred Shares A	20,040
Domestic preferred stock ETFS	395
Total	**$ 286,586**

(i) Please refer to Note 6(b) for domestic preferred stock ETFS reported on December 31, 2018 is accounted for as financial assets measured at fair value through profit or loss. The remaining investment targets are reported as financial assets measured at fair value through other comprehensive income or loss, please refer to Note 6(c).

(ii) Please refer to Note 6(s) for the amount of other comprehensive income or loss is recognized due to changes in fair value.

(iii) Please refer to Note 6(z) for credit and market risk information.

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

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

	December 31, 2018	December 31, 2017
Notes receivables －operating	$ 38,468	71,744
Notes receivables －non-operating	1,595	1,595
Accounts receivables	864,486	949,185
Accounts receivables-related parties	16,156	8,973
Less: Allowance for doubtful debts (expected credit loss)	(27,483)	(33,339)
	$ 893,222	**998,158**

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As of December 31, 2018, the Group estimated the expected credit losses for all notes receivable and accounts receivable using a simplified approach. For these purposes, the customer's notes receivable and accounts receivable are grouped based on credit risk characteristics and the days past due, as well as its forward-looking information. An analysis of expected credit loss on notes and accounts receivable as of December 31, 2018 are as follows:

	Face value of notes and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	$ 896,800	0%~1%	8,585
Past due less than 90 days	5,070	3%~5%	223
Past due 91-180 days	337	50%~54%	177
Past due more than 181 days	18,498	100%	18,498
	$ 920,705		**27,483**

As of December 31, 2017, the allowance for doubtful debts of notes receivable and accounts receivable has been made using the incurred loss model. The aging analysis of overdue notes receivable and accounts receivable as of December 31, 2018 and 2017, are as follows:

	December 31, 2017
Past due less than 90 days	$ 4,691
Past due 91-180 days	30
	$ 4,721

The movement of allowance for impairment are as follows:

		2017	
	2018	**Individually assessed of loss reduction**	**Collectively assessed impairment**
Beginning balance（IAS39）	$ 33,339	20,394	17,945
IFRS 9 adjustment	-		
Beginning balance(IFRS 9)	33,339		
Reversal of impairment loss	(5,856)	-	(5,000)
Ending Balance	**$ 27,483**	**20,394**	**12,945**

As of December 31, 2018 and 2017, the accounts receivable and notes receivable were not pledged as collateral.

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(f) Other receivables

		December 31, 2018	December 31, 2017
Other receivable	$	64,187	65,316
Other receivable—related parties		12,634	8,306
	$	**76,821**	**73,622**

(i) As of December 31, 2018 and 2017 other receivables are not overdue, and there are no expected credit loss.

(ii) Refer to Note 6(z) for other credit risk information.

(iii) As of December 31, 2018 and 2017, other receivables were not pledged as collateral.

(g) Inventories

		December 31, 2018	December 31, 2017
Merchandise	$	236,594	223,674
Finished goods		127,517	101,497
Work in process		92,944	108,060
Raw materials		208,287	183,436
Materials		32,666	29,650
Subtotal		698,008	646,317
Goods in transit		90,602	97,919
Total		788,610	744,236
Less: Allowance for inventory market decline and obsolescence		(37,722)	(50,523)
Net amount	$	**750,888**	**693,713**

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 amounted to $1,378,966 and $1,383,635, respectively. The main item was the costs from selling goods. For the years ended December 31, 2018 and 2017, the reversal of allowance amounted to $12,801 and $8,304, respectively.

As of December 31, 2018 and 2017, the aforesaid inventories were not pledged as collateral.

(h) Investments accounted for using equity method

(i) The Group's financial information for equity-accounted investees at the reporting date was as follows:

		December 31, 2018	December 31, 2017
Associates	$	**901,648**	**1,024,020**

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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1) As of December 31, 2018 and 2017, the carrying value of associates had a quoted market price amounted to $631,554 and $771,239 respectively, while fair value amounted to $2,745,907 and $4,386,636, respectively.

2) For the years ended December 31, 2018 and 2017, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased the treasury stocks, which resulted in a change in the shareholding ratio, and such change was (debit) credit of $(10,703) and $5,070, respectively to its capital reserve. For the years ended 2018 and 2017, the Group disposed its investment shares of PharmaEngine, Inc. for a total of $495,569 and $222,174, which was included in the "other gains or losses" of the consolidated income statement. For the years ended December 31, 2018 and 2017, the Group's shareholding ratio declined from 18.22% to 15.52% and 19.30% to 18.22%, respectively.

(ii) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership December 31, 2018	Equity ownership December 31, 2017
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	15.52 %	18.22 %

The following is the summary of financial information on the Group's significant associates. In order to reflect the adjustments for fair value in acquisition of shares and differences in accounting policies, adjustment for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial information:

・Summary financial information on PharmaEngine, Inc.

	December 31, 2018	December 31, 2017
Current assets	$ 3,820,100	4,071,199
Non-current assets	26,685	39,732
Current liabilities	(152,671)	(199,899)
Net assets	**$ 3,694,114**	**3,911,032**
Net assets attributable to non-controlling interests	**$ 573,462**	**712,642**
Net assets attributable to investee owners	**$ 3,120,652**	**3,198,390**

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the years ended December 31, 2018	For the years ended December 31, 2017
Revenue	$ **293,430**	**853,677**
Profit for the period	$ 129,362	387,063
Other comprehensive income	(46)	187
Comprehensive income	$ **129,316**	**387,250**
Comprehensive income attributable to non-controlling interests	$ **20,497**	**68,640**
Comprehensive income attributable to investee owners	$ **108,819**	**318,610**

	For the years ended December 31, 2018	For the years ended December 31, 2017
Net assets attributable to the Group, January 1	$ 712,642	733,329
Retained earnings impacted by applying new standard for the period	(41)	-
Changes in capital surplus of associates for the period	(10,703)	5,070
Profit and loss attributable to the Group for the period	20,497	68,640
Cash dividends received from associates	(45,734)	(59,086)
Disposal of investments for the period	(103,199)	(35,311)
Net assets attributable to the Group, December 31	573,462	712,642
Carrying amount of interest in associates, December 31	$ **573,462**	**712,642**

(iii) Summary financial information on individually insignificant associates

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

	December 31, 2018	December 31, 2017
Carrying amount of interest in individually insignificant associates	$ **328,186**	**311,378**

	For the years ended December 31 2018	For the years ended December 31 2017
Attributable to the Group:		
Profit for the period	$ 32,422	45,088
Other comprehensive income	(8,737)	480
Comprehensive income	$ **23,685**	**45,568**

(Continued)

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(iv) Collateral

As of December 31, 2018 and 2017, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(i) Subsidiary with significant non-controlling interest

Subsidiary with significant non-controlling interest were as follows:

Subsidiary	Country of registration	Ownership and voting rights ratio December 31, 2018	Ownership and voting rights ratio December 31, 2017
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %
EnhanX Inc.	Taiwan	50.00 %	29.41 %

The financial information below is prepared in accordance with IFRSs and reflects the adjustments for fair value on the acquisition date and difference in accounting policies. The amounts have not yet been eliminated from intra-group transactions. Information on the aforementioned subsidiary is as follows:

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

	December 31, 2018	December 31, 2017
Current assets	$ 895,718	997,419
Non-current assets	324,603	284,284
Current liabilities	(99,417)	(135,082)
Non-current liabilities	(23)	-
Net assets	**$ 1,120,881**	**1,146,621**
Non-controlling interest	**$ 487,724**	**498,822**

	For the years ended December 31 2018	For the years ended December 31 2017
Revenue	**$ 515,646**	**486,277**
Profit for the period	$ 57,784	64,971
Other comprehensive (loss) income	(2,888)	(249,678)
Comprehensive (loss) income	**$ 54,896**	**(184,707)**
Profit attributable to non-controlling interest	**$ 25,252**	**28,097**
Comprehensive (loss) income attributable to non-controlling interest	**$ 23,995**	**(80,563)**

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	For the years ended December 31, 2018	2017
Cash flows from operating activities	$ 62,616	81,132
Cash flows (used in) from investing activities	(160,254)	109,706
Cash flows used in financing activities	(80,636)	(119,034)
Net increase in cash	**$ (178,274)**	**71,804**
Dividends paid to non-controlling interests	**$ 35,093**	**51,804**

(ii) Summary financial information on EnhanX Inc.

	December 31, 2018	December 31, 2017
Current assets	$ 82,282	45,688
Non-current assets	119,999	121,077
Current liabilities	(1,856)	(1,879)
Net assets	**$ 200,425**	**164,886**
Non-controlling interest	**$ 100,212**	**116,390**

	For the years ended December 31 2018	2017
Revenue	**$ -**	**-**
Loss for the period	$ (34,462)	(5,113)
Other comprehensive income	-	-
Comprehensive (loss) income	**$ (34,462)**	**(5,113)**
Loss attributable to non-controlling interest	**$ (24,348)**	**(3,609)**
Comprehensive (loss) income attributable to non-controlling interest	**$ (24,348)**	**(3,609)**

	For the years ended December 31, 2018	2017
Cash flows used in operating activities	$ (34,476)	(4,524)
Cash flows used in investing activities	-	(30)
Cash flows from financing activities	70,000	50,000
Net increase in cash	**$ 35,524**	**45,446**

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(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Cost:								
Balance on January 1, 2018	$ 816,169	1,290,694	665,230	5,755	436,422	7,078	156,434	3,377,782
Additions	-	6,354	9,790	-	21,321	-	9,406	46,871
Disposals	-	(1,194)	(4,945)	-	(1,548)	-	-	(7,687)
Reclassifications	-	17,107	1,920	-	5,654	-	(16,929)	7,752
Effect of changes in foreign exchange rate	-	(310)	-	-	(42)	(2)	-	(354)
Balance on December 31, 2018	**$ 816,169**	**1,312,651**	**671,995**	**5,755**	**461,807**	**7,076**	**148,911**	**3,424,364**
Balance on January 1, 2017	$ 816,169	1,273,278	664,686	3,171	405,557	6,975	126,957	3,296,793
Additions	-	11,902	2,160	2,584	19,052	118	47,971	83,787
Disposals	-	(4,233)	(1,118)	-	(10,141)	-	-	(15,492)
Reclassifications	-	10,210	(498)	-	22,034	-	(18,494)	13,252
Effect of changes in foreign exchange rate	-	(463)	-	-	(80)	(15)	-	(558)
Balance on December 31, 2017	**$ 816,169**	**1,290,694**	**665,230**	**5,755**	**436,422**	**7,078**	**156,434**	**3,377,782**
Depreciation:								
Balance on January 1, 2018	$ -	259,709	281,687	1,712	283,278	3,390	-	829,776
Depreciation for the year	-	59,393	37,989	894	27,742	711	-	126,729
Disposals	-	(1,194)	(4,088)	-	(1,134)	-	-	(6,416)
Effect of changes in foreign exchange rate	-	(16)	-	-	(38)	(2)	-	(56)
Balance on December 31, 2018	**$ -**	**317,892**	**315,588**	**2,606**	**309,848**	**4,099**	**-**	**950,033**
Balance on January 1, 2017	$ -	205,015	240,234	1,234	262,034	2,701	-	711,218
Depreciation for the year	-	58,966	43,040	478	29,464	703	-	132,651
Disposals	-	(4,179)	(1,089)	-	(8,143)	-	-	(13,411)
Reclassifications	-	(96)	(498)	-	-	-	-	(594)
Effect of changes in foreign exchange rate	-	3	-	-	(77)	(14)	-	(88)
Balance on December 31, 2017	**$ -**	**259,709**	**281,687**	**1,712**	**283,278**	**3,390**	**-**	**829,776**
Carrying amounts:								
Balance on December 31, 2018	**$ 816,169**	**994,759**	**356,407**	**3,149**	**151,959**	**2,977**	**148,911**	**2,474,331**
Balance on January 1, 2017	**$ 816,169**	**1,068,263**	**424,452**	**1,937**	**143,523**	**4,274**	**126,957**	**2,585,575**
Balance on December 31, 2017	**$ 816,169**	**1,030,985**	**383,543**	**4,043**	**153,144**	**3,688**	**156,434**	**2,548,006**

(i) Collateral

As of December 31, 2018 and 2017, the Group's property, plant and equipment were not pledged as collateral.

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(ii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to $148,911, and there was no capitalized loan cost for the years ended December 31, 2018 and 2017 .

(k) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance on January 1, 2018	$ 69,152	27,246	96,398
Effect of changes in foreign exchange rate	-	(238)	(238)
Balance on December 31, 2018	**$ 69,152**	**27,008**	**96,160**
Balance on January 1, 2017	$ 69,152	15,526	84,678
Reclassifications	-	11,564	11,564
Effect of changes in foreign exchange rate	-	156	156
Balance on December 31, 2017	**$ 69,152**	**27,246**	**96,398**
Depreciation and impairment loss:			
Balance on January 1, 2018	$ -	7,375	7,375
Depreciation	-	647	647
Effect of changes in foreign exchange rate	-	(12)	(12)
Balance on December 31, 2018	**$ -**	**8,010**	**8,010**
Balance on January 1, 2017	$ -	6,679	6,679
Depreciation	-	595	595
Reclassifications	-	96	96
Effect of changes in foreign exchange rate	-	5	5
Balance on December 31, 2017	**$ -**	**7,375**	**7,375**
Carrying amount:			
Balance on December 31, 2018	**$ 69,152**	**18,998**	**88,150**
Balance on January 1, 2017	**$ 69,152**	**8,847**	**77,999**
Balance on December 31, 2017	**$ 69,152**	**19,871**	**89,023**
Fair value:			
Balance on December 31, 2018			**$ 189,446**
Balance on December 31, 2017			**$ 114,572**

(i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length term.

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(ii) As of December 31, 2018 and 2017, the Group's investment property were not pledged as collateral.

(l) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2018 and 2017, were as follows:

		Computer software	Patent and franchise	Total
Cost:				
Balance on January 1, 2018	$	32,574	162,386	194,960
Additions		1,314	10,896	12,210
Disposals		(2,807)	-	(2,807)
Reclassifications		-	16,956	16,956
Effect of changes in foreign exchange rate		(1)	-	(1)
Balance on December 31, 2018	$	31,080	190,238	221,318
Balance on January 1, 2017	$	36,489	42,386	78,875
Additions		700	120,000	120,700
Disposals		(4,611)	-	(4,611)
Effect of changes in foreign exchange rate		(4)	-	(4)
Balance on December 31, 2017	$	32,574	162,386	194,960
Amortization and impairment loss:				
Balance on January 1, 2018	$	23,456	29,301	52,757
Amortization for the period		4,508	13,672	18,180
Disposals		(2,807)	-	(2,807)
Balance on December 31, 2018	$	25,157	42,973	68,130
Balance on January 1, 2017	$	22,344	26,883	49,227
Amortization for the period		5,725	2,418	8,143
Disposals		(4,611)	-	(4,611)
Effect of changes in foreign exchange rate		(2)	-	(2)
Balance on December 31, 2017	$	23,456	29,301	52,757
Carrying amount:				
Balance on December 31, 2018	$	5,923	147,265	153,188
Balance on January 1, 2017	$	14,145	15,503	29,648
Balance on December 31, 2017	$	9,118	133,085	142,203

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Amortization expenses for intangible assets for the years ended December 31, 2018 and 2017 were recorded as operating expenses and operating costs, respectively, were as follows:

	For the years ended December 31	
	2018	**2017**
Operating costs	$ 322	347
Operating expenses	17,858	7,796
	$ 18,180	**8,143**

In 2017, the Group and 2-BBB Medicines BV established EnhanX Inc, where 2-BBB Medicines BV invested $120,000 in patent right. The patent has been transferred to EnhanX Inc. on July 12, 2018.

As of December 31, 2018 and 2017, the aforementioned intangible assets were not pledged as collateral.

(m) Other financial assets and other assets

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

	December 31, 2018	December 31, 2017
Other current financial assets	$ 398,271	1,771,755
Other non-current financial assets	143,678	124,326
Long term prepayments	43,366	60,322
Others	6,883	2,735
	$ 592,198	**1,959,138**

(i) Both current and non-current other financial assets were bank deposits that does not qualify as cash and cash equivalents.

(ii) Long-term prepayments are amounts paid for intangible assets before the intangible assets are ready for use.

(n) Short-term loans

The short-term loans were summarized as follows: ：

	December 31, 2018	December 31, 2017
Secured bank loans	**$ 1,150,000**	**1,650,000**
Unused credit line	**$ 1,170,321**	**1,112,811**
Range of interests rates	**0.92%~0.96%**	**0.91%~1.02%**

Please refer Note 6(z) for the Group’s information of interest and credit risk exposure.

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(o) Long-term loans

Term and condition for the details of long term borrowings are follows:

	December 31, 2018			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.115%~1.180%	109	$ **350,000**
Unused credit line				$ **400,000**

	December 31, 2017			
	Currency	**Interest rate**	**Maturity**	**Amount**
Unsecured bank loans	NTD	1.115%~1.298%	109	$ 550,000
Less: Current portion				(300,000)
Total				$ **250,000**
Unused credit line				$ **430,000**

(p) Operating leases

(i) Leases as lessee

Non-cancellable rentals payable of operating lease were as follows:

	December 31, 2018	**December 31, 2017**
Less than one year	$ 2,987	2,608
Between one and five years	3,825	6,017
	$ **6,812**	**8,625**

(ii) Leases as lessor

The Group leases out its investment properties (refer to Note 6(k)). The future minimum leases payments under non-cancellable leases are as follows:

	December 31, 2018	**December 31, 2017**
Less than one year	$ 9,200	7,629
Between one and five years	11,811	6,607
	$ **21,011**	**14,236**

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(q) Employee benefits

(i) Defined benefit plans

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

		December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$	122,955	117,605
Fair value of plan assets		(64,496)	(63,295)
Net defined benefit liabilities (assets)	$	**58,459**	**54,310**

The Group's emlpoyee benefit liabilities were as below:

		December 31, 2018	December 31, 2017
Long-term vacation liability	$	**11,355**	**11,416**

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

1) Composition of plan assets

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

The balance of labor pension reserve account for the Group is $64,496 as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

		For the years ended December 31	
		2018	2017
Defined benefit obligation, January 1	$	117,605	115,353
Current service costs and interest		2,572	2,645
Remeasurement loss (gain):			
—Return on plan assets excluding interest income		6,102	9,436
Benefits paid		(3,324)	(9,829)
Defined benefit obligation, December 31	$	**122,955**	**117,605**

(Continued)

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3) Movements of defined benefit plan assets

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

	For the years ended December 31	
	2018	**2017**
Fair value of plan assets, January 1	$ 63,295	70,732
Remeasurements loss (gain):		
－Return on plan assets excluding interest income	2,694	667
Contributions paid by the employer	1,831	1,725
Benefits paid	(3,324)	(9,829)
Fair value of plan assets, December 31	**$ 64,496**	**63,295**

4) Expenses recognized in profit or loss

The Group’s pension expenses recognized in profit or loss for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31	
	2018	**2017**
Current service cost	$ 1,264	1,145
Net interest of net liabilities for defined benefit obligation	1,308	1,500
Curtailment or settlement gains	(693)	(933)
	$ 1,879	**1,712**

	For the years ended December 31	
	2018	**2017**
Operating costs	$ 626	655
Selling expenses	572	472
Administrative expenses	291	265
Research and development expenses	390	320
	$ 1,879	**1,712**

(Continued)

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

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31	
	2018	**2017**
Accumulated amount, January 1	$ 6,637	(3,064)
Recognized during the period	4,102	9,701
Accumulated amount, December 31	**$ 10,739**	**6,637**

6) Actuarial assumptions

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

	2018.12.31	**2017.12.31**
Discount rate	1.03 %	1.15 %
Future salary increases	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $1,855.

The weighted-average duration of the defined benefit plan is 4 years.

7) Sensitivity analysis

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

	Influence of defined defined benefit obligation	
	Increase by 0.50%	**Decrease by 0.50%**
December 31, 2018		
Discount rate (Fluctuation of 0.5%)	$ (5,335)	5,711
Future salary increase (Fluctuation of 0.5%)	4,988	(4,726)
December 31, 2017		
Discount rate (Fluctuation of 0.5%)	$ (5,364)	5,757
Future salary increase (Fluctuation of 0.5%)	5,063	(4,786)

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

(Continued)

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There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $26,433 and $25,694 for the years ended December 31, 2018 and 2017, respectively.

(r) Income Tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, the corporate income tax rate increase from 17% to 20%.

(i) Income tax expense

The components of income tax in the years 2018 and 2017 were as follows:

	For the years ended December 31	
	2018	**2017**
Current tax expense		
Current period incurred	$ 236,181	233,299
Adjustment for prior periods	2,461	(9,199)
Deferred tax expense		
Origination and reversal of temporary differences	(73,551)	2,653
Adjustment in tax rate	40,678	-
Income tax expense	**$ 205,769**	**226,753**

The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	For the years ended December 31	
	2018	**2017**
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	$ 6,263	(19,947)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(11)	4
	$ 6,252	**(19,943)**

(Continued)

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Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2018 and 2017, as follows:

	For the years ended December 31	
	2018	**2017**
Profit before income tax	$ 1,668,068	1,595,067
Income tax using the company's domestic tax rate	$ 338,095	277,386
Adjustment in tax rate	40,678	-
Change in unrecognized temporary differences	(78,010)	-
Non-deductible expenses	15,048	8,616
Gains derived from securities transactions	(99,114)	(37,770)
Tax exemption	(10,898)	(7,851)
Change in provision in prior periods	2,461	(9,199)
Undistributed earnings additional tax	8,163	13,489
Basic income tax	-	19
Others	(10,654)	(17,937)
	$ 205,769	**226,753**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2018. Also, management considers the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2018	**December 31, 2017**
Amount of temporary differences related to investments in subsidiaries	**$ (78,010)**	**-**
Unrecognized deferred tax liabilities	**$ (78,010)**	**-**

(Continued)

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2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Gain on foreign investments	Reserve for land revaluation increment tax	Others	Total
Deferred tax liabilities:				
Balance, January 1, 2018	$ 237,265	60,871	-	298,136
Recognized in profit or loss	(25,688)	-	23	(25,665)
Recognized in other comprehensive income	6,252	-	-	6,252
Balance, December 31, 2018	**$ 217,829**	**60,871**	**23**	**278,723**
Balance, January 1, 2017	$ 253,858	60,871	-	314,729
Recognized in profit or loss	3,350	-	-	3,350
Recognized in other comprehensive income	(19,943)	-	-	(19,943)
Balance, December 31, 2017	**$ 237,265**	**60,871**	**-**	**298,136**
Deferred tax assets:				
Balance, January 1, 2018	$ 5,830	8,589	16,493	30,912
Recognized in profit or loss	1,038	(1,045)	7,216	7,209
Foreign currency translation differences for foreign operations	-	-	(49)	(49)
Balance, December 31, 2018	**$ 6,868**	**7,544**	**23,660**	**38,072**
Balance, January 1, 2017	$ 5,833	10,000	15,927	31,760
Recognized in profit or loss	(3)	(1,411)	2,111	697
Foreign currency translation differences for foreign operations	-	-	(1,545)	(1,545)
Balance, December 31, 2017	**$ 5,830**	**8,589**	**16,493**	**30,912**

3) Assessment of tax

The Company's income tax returns through 2014 were assessed by the Taipei National Tax Administration.

(s) Capital and other equity

As of December 31, 2018 and 2017, the number of authorized ordinary shares were 350,000 shares, with par value of $10 per share and the total value of authorized ordinary shares amounted to $3,500,000. The paid-in-capital were both $2,486,500.

(Continued)

(i) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Share capital	$ 484	484
Long-term investment	348,335	395,629
	$ 348,819	**396,113**

According to the R.O.C. Company Act amended in 2012, capital surplus can be used to offset a deficit, or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no deficit. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

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

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

1) Legal reserve

In accordance with the Company Act amended in 2012, 10% of net income is set aside as legal reserve until it is equal to share capital. If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25% of the actual share capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of $82,429 and unrealized revaluation increments of $27,725. The special reserve appropriated can be reversed to the extent that the net debit balance reverses. As of December 31, 2018 and 2017, the special reserve appropriated from the undistributed earnings amounted to $110,154 and $110,154, respectively.

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

3) Earnings distribution

On June 20, 2018 and June 16, 2017, the Company's general meeting of shareholders resolved to appropriate the 2017 and 2016 earnings, respectively. These earnings were distributed as dividends as follows:

	2017		2016	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 4.50	**1,118,925**	3.80	**944,870**

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available for-sale financial assets	Total
Balance on January 1, 2018	$ (99,734)	-	122,165	22,431
Effects of retrospective application	-	122,167	(122,165)	2
Balance on January 1, 2018 after adjustments	(99,734)	122,167	-	22,433
Exchange differences on foreign operations	43,080	-	-	43,080
Share of exchange differences of subsidiaries and associates accounted for using equity method	(46)	-	-	(46)
Disposal of affiliated companies using the equity method reclassified to profit or loss	6	-	-	6
Unrealized gains and losses on financial assets measured at fair value through other comprehensive income	-	(111)	-	(111)
Disposal of equity instrument measured at fair value through consolidated profit or loss to retained earnings	-	(20)	-	(20)
The share of unrealized profit or loss of financial assets measured at fair value through other comprehensive	-	(18,521)	-	(18,521)
Balance on December 31, 2018	**$ (56,694)**	**103,515**	**-**	**46,821**

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available for-sale investments	Total
Balance on January 1, 2017	$ (2,362)	-	287,450	285,088
Exchange differences on translation of foreign financial statements	(97,392)	-	-	(97,392)
Share of exchange differences of subsidiaries and associates accounted for using equity method	20	-	-	20
Unrealized gains (losses) on available- for-sale financial assets	-	-	(164,618)	(164,618)
Unrealized gains (losses) on available- for-sale financial assets of subsidiaries accounted for using equity method	-	-	(667)	(667)
Balance on December 31, 2017	**$ (99,734)**	**-**	**122,165**	**22,431**

(iv) Non-controlling interests

	For the years ended December 31, 2018	2017
Balance on January 1	$ 614,861	631,784
Attributable to non-controlling interests:		
Profit for the period	918	23,583
Foreign currency translation differences-foreign operations	(7)	(42)
Unrealized (loss) gain on financial assets	(1,257)	(108,660)
Cash dividend received	(35,093)	(51,804)
Increase in non-controlling interest	-	120,000
Changes in ownership interest in subsidiaries	8,170	-
Balance on December 31	**$ 587,592**	**614,861**

(t) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

	For the years ended December 31, 2018	2017
Basic earnings per share		
Profit attributable to ordinary shareholders	**$ 1,461,381**	**1,344,731**
Weighted-average number of ordinary shares	248,650	248,650
	$ 5.88	**5.41**
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	**$ 1,461,381**	**1,344,731**

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	For the years ended December 31, 2018	2017
Weighted-average number of ordinary shares	248,650	248,650
Employee stock bonus	373	337
Weighted-average number of ordinary shares (diluted)	**249,023**	**248,987**
	$ 5.87	**5.40**

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 2018					
	Oncology Business Unit	**Health Care Unit**	**Anti-Infection Business Unit**	**Domestic Cardiovascular and Gastrointestinal Drugs Business Unit**	**Other Segment**	**Total**
Primary geographical markets:						
Taiwan	$ 1,973,270	207,219	707,112	513,791	-	3,401,392
European countries	450,794	-	-	-	-	450,794
Other countries	133,876	27,674	577	1,855	20,028	184,010
	$ 2,557,940	**234,893**	**707,689**	**515,646**	**20,028**	**4,036,196**
Major Products/services lines						
Medicine and health food	$ 2,478,152	234,893	707,689	477,374	20,028	3,918,136
Services	66,940	-	-	38,272	-	105,212
Royalty	12,848	-	-	-	-	12,848
	$ 2,557,940	**234,893**	**707,689**	**515,646**	**20,028**	**4,036,196**

For details on revenue for the year ended December 31, 2017, please refer to Note 6(v).

(ii) Contract balances

	December 31, 2018	January 1, 2018
Contract liabilities	**$ 6,405**	**21,552**

For details on accounts receivable and allowance for impairment, please refer to Note 6(e).

The beginning balance of contract liability recognized as revenue in 2018 was $20,292.

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(v) Revenue

For the year ended December 31, 2017, the revenue of the Group are as follows:

	For the year ended December 31, 2017
Sale of goods	$ 3,987,090
Rendering of service	18,658
License	73,012
	$ 4,078,760

For details on revenue for the year ended December 31, 2018, please refer to Note 6(u).

(w) Remuneration of employees and of directors and supervisors

Based on the Company's articles of incorporation, remuneration of employees and of directors and supervisors is appropriated at the rate of 0.5% to 10% and no more than 2%, respectively, of profit before tax. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the years ended December 31, 2018 and 2017, remuneration of employees were $23,893 and $24,040, respectively and directors' and supervisors' remuneration amounted to $14,950 and $14,950, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period. These remunerations were recognized under operating costs or operating expenses during 2018 and 2017. If there's any difference between the amount resolved at the Board of Directors meeting and the estimated amount the Company will treat the difference as changes in accounting estimates and charged to profit or loss.

The actual distribution situation and related information can be obtained from the market observation post system.

(x) Non-operating income and expenses

(i) Other income

The details of other income for the and the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31, 2018	2017
Interest revenue	$ 32,111	22,273
Rental revenue	10,523	12,862
	$ 42,634	**35,135**

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(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31, 2018	2017
Losses on disposals of property, plant and equipment	$ (1,113)	(1,967)
Gains on disposals of investments	495,569	222,174
Foreign exchange gains (losses)	12,635	(42,440)
Losses on financial assets measured at fair value through profit or loss	(406)	-
Reversal of impairment loss on financial assets	-	5,000
Other gains and losses	23,433	31,673
	$ **530,118**	**214,440**

Gains on disposals of investments please refer Note 6(h).

(iii) Finance costs

The details of finance costs were as follows:

	For the years ended December 31, 2018	2017
Interest expense	$ **17,287**	**25,191**

(y) Reclassification adjustments of components of other comprehensive income

The details of adjustments on components of other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31, 2018	2017
Equity method used to recognize the shares of other comprehensive profit or loss of related companies- Items that may be reclassified to profit or loss:		
Loss for the period	$ (18,578)	(642)
Disposal of share of profit of associates accounted for using equity method	6	-
Net loss recognized in other comprehensive income	$ **(18,572)**	**(642)**

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(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Group' s maximum credit exposure. Such maximum credit exposure on December 31, 2018 and 2017, amounted to $4,384,227 and $4,731,461, respectively.

2) Concentration of credit risk

To minimize credit risk, the Group continually evaluates the client's financial positions and the possibility of collecting accounts receivables. Bad debt losses are always within the expectations of the administrative personnel. As of December 31, 2018 and 2017, 23% and 38%, respectively, of accounts receivable were ten major customers. Thus, credit risk is significantly centralized.

3) Credit risk of accounts receivable

The information regarding accounts receivable and credit risk exposure, please refer Note 6 (e).

Financial assets measured at amortized cost includes other receivables and time deposit. For further information, please refer to Note 6(m). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. In regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(g).

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2018					
Non-derivative financial liabilities					
Unsecured bank loans	$ 1,500,000	1,507,059	1,155,290	351,769	-
Non-interest-bearing liabilities (including related parties)	641,801	641,801	641,801	-	-
Guarantee deposits received	2,445	2,445	2,445	-	-
	$ 2,144,246	**2,151,305**	**1,799,536**	**351,769**	**-**

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	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2017					
Non-derivative financial liabilities					
Unsecured bank loans	$ 2,200,000	2,211,658	1,959,046	252,612	-
Non-interest-bearing liabilities (including related parties)	651,545	651,545	651,545	-	-
Guarantee deposits received	10,086	10,086	10,086	-	-
	$ 2,861,631	2,873,289	2,620,677	252,612	-

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group' s exposure to significant currency risk was from its foreign currency-denominated financial assets and liabilities as follows:

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 17,808	30.72	546,973	35,646	29.76	1,060,833
CNY	4,151	4.47	18,563	4,441	4.57	20,271
JPY	67,702	0.28	17,444	59,592	0.26	15,744
EUR	1,067	35.20	37,558	2,621	35.57	93,223
Nonmonetary items						
USD	47,280	30.72	1,452,218	47,304	29.76	1,407,763
CNY	52,386	4.47	234,272	51,156	4.57	233,526
THB	240,499	0.95	229,244	240,536	0.92	221,293
KRW	1,498,607	0.03	41,587	-	-	-
MXN	16,011	1.60	25,618	-	-	-

2) Sensitivity analysis

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

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A 1% of appreciation of each major foreign currency against the Group's functional currency as of December 31, 2018 and 2017, would have increased or decreased the after tax net income by $4,964 and $9,878, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2018 and 2017, the foreign exchange gains (loss), including both realized and unrealized, amounted to $12,635 and $(42,440), 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.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported that increases/decreases in interest rates of 0.25% are considered by management to be a reasonably possible change in interest rate.

If the interest rate had increased/decreased by 0.25%, the Group's after tax net income would have decreased/increased by $1,322 and $2,142 for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remained constant.

(v) Fair value of financial instruments

1) Categories of financial instruments

The fair value of financial assets and liabilities was as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value, financial instruments whose fair value cannot be reliably measured, and financial instruments whose inputs are unobservable in active markets):

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Non-current financial assets at fair value through profit or loss	$ 5,496	5,496	-	-	5,496
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	$ 195,175	195,175	-	-	195,175
Domestic stock- listed company at Taipei Exchange	176,580	176,580	-	-	176,580
Domestic stock- listed company at emerging stock market	83,081	83,081	-	-	83,081
subtotal	454,836	454,836	-	-	454,836

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	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,372,294	-	-	-	-
Notes receivable and accounts receivable (including related party)	893,222	-	-	-	-
Other receivables (including related party)	76,821	-	-	-	-
Other financial asset	541,949	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	26,252	-	-	-	-
Subtotal	3,923,895	-	-	-	-
Total	$ 4,384,227	460,332	-	-	460,332
Financial liabilities measured at amortized cost					
Bank loans	$ 1,500,000	-	-	-	-
Notes payable and accounts payable (including related party)	172,764	-	-	-	-
Other payables (including related party)	469,037	-	-	-	-
Guarantee deposit received	2,445	-	-	-	-
Total	$ 2,144,246	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets-non-current	$ 286,586	286,586	-	-	286,586
Loans and receivables					
Cash and cash equivalents	$ 1,441,374	-	-	-	-
Notes receivable and accounts receivable (including related party)	998,158	-	-	-	-
Other receivables (including related party)	73,622	-	-	-	-
Other financial assets	1,896,081	-	-	-	-
Cash surrender value of life insurance	7,275	-	-	-	-
Refundable deposits paid	28,365	-	-	-	-
Total	$ 4,731,461	286,586	-	-	286,586

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans	$ 2,200,000	-	-	-	-
Notes payable and accounts payable (including related party)	154,922	-	-	-	-
Other payables (including related party)	496,623	-	-	-	-
Guarantee deposit received	10,086	-	-	-	-
Total	$ 2,861,631	-	-	-	-

2) Fair value hierarchy

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

a) Level 1:quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The assumptions and methods used in valuing financial instruments that are 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 face value of the balance sheet date.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

(Continued)

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

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2018 and 2017, so there was no transfer between levels.

(aa) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

For more disclosures about the quantitative effects of risks mentioned above, please refer to the respective notes in the consolidated financial statements.

(ii) Structure of risk management

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

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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1) Accounts and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Finance department.

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

2) Investment

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

3) Guarantees

The Group did not provide any endorsement or guarantee as of December 31, 2018 and 2017.

(iv) Liquidity risk

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

(v) Market risk

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

(ab) Capital management

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

(Continued)

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

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

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

The Group monitors capital by regularly reviewing the asset-to-liability ratio. "Total equity" on the balance sheet represents the Group's capital, which also represents total assets less total liabilities.

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

	December 31, 2018	December 31, 2017
Total liabilities	$ 2,661,510	3,395,430
Less: Cash and cash equivalents	(2,372,294)	(1,441,374)
Net debt	289,216	1,954,056
Total equity	6,391,625	6,111,637
Adjusted capital	**$ 6,680,841**	**8,065,693**
Debt-to-equity ratio	**4.33 %**	**24.23 %**

(7) Related-party transactions:

(a) List of subsidiaries

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

Name of related party	Relationship with the Group
American Taiwan Biopharm (Thailand)	An associate
Chuang Yi Biotech Co., Ltd.	An associate

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	For the years ended December 31, 2018	For the years ended December 31, 2017
Associates	**$ 64,547**	**67,913**

Prices charged for sales transactions with offshore associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(ii) Purchases

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

	For the years ended December 31, 2018	2017
Associates	$ 20,807	21,394

The payment terms for purchases from related parties were Open Accounts 30~90days. The pricing and payment terms with related parties were not materially different from those with third parties.

(iii) Rent revenue

The Group's rent revenue for related party are as follows:

Recognized item	Category	For the years ended December 31, 2018	2017
Rental revenue	Associate－Chuang Yi Biotech Co., Ltd.	$ 3,137	3,137

Rent was based on recent market transactions on arm's-length terms.

(iv) Other income

The Group's other income for related party are as followed:

Recognized item	Category	For the years ended December 31, 2018	2017
Other income	Associate-American Taiwan Biopharm (Thailand)	$ 11,765	13,242
	Associate	101	329
		$ 11,866	13,571

The credit term for revenue from development in the pharmaceutical industry or registration of pharmaceutical products is three months.

(c) Assets and liabilities with related parties

Recognized item	Category	December 31, 2018	December 31, 2017
Notes receivable	Associates	$ 34	26
Accounts receivable	Associates	$ 16,156	8,973
Other receivables	Associate-American Taiwan Biopharm (Thailand)	$ 12,241	7,929
	Associates	393	377
		$ 12,634	8,306

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Notes to the Consolidated Financial Statements

Recognized item	Category	December 31, 2018	December 31, 2017
Note payable	Associate-Chuang Yi Biotech Co., Ltd.	$ -	22,464
Accounts payable	Associate-Chuang Yi Biotech Co., Ltd.	$ 14,382	-

The information about the expected credit losses for note receivable and account receivable, please refer Note 6(e).

(d) Key management personnel compensation

Key management personnel compensation include:

	For the years ended December 31, 2018	2017
Salaries and other short-term employee benefits	$ 105,439	90,144
Post-employment benefits	1,196	1,218
	$ 106,635	91,362

(8) Pledged assets:

As of December 31, 2018 and 2017, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2018	December 31, 2017
Other financial asset-non-current	Guarantee for provision attachment	$ 139,380	120,010

(9) Commitments and contingencies:

(a) The Group signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Group obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre tax net sales. The payment based on such agreement amounted to $43,293 and $41,352 for the years ended December 31, 2018 and 2017, respectively.

(b) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $619,601, and $617,623, and the unpaid amount was $188,431, and $261,250 as of December 31, 2018 and 2017, respectively.

(c) As of December 31, 2018 and 2017, the financial institutions provide guarantee for the sale of medicine amounted to $49,679, and $57,189, respectively.

(d) In June 2015, the Taipei District Prosecutors Office filed a charge against the ex-chairman of the Company, Rong Jin 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, the ex-chairman was found guilty for violating the Securities and Exchange Act. Currently, the case has been appealed and moved to the second instance at the Taiwan High Court. The relevant incidental civil action was later transferred to the civil court for further trial as a different case in

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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September 6, 2017. Further on April 23, 2018, the Taipei District Prosecutors Office requested the Taiwan High Court to hear the case of ex-chairman Rong-Jin Lin's offense of the Securities and Exchange Act because of the dispute of contract relevant with Risperidone entered into by and between the Group and Center Laboratories, Inc. together with the aforementioned case in a consolidated procedure. As of June 29, 2018, the Group supplemented and raised the amount of its damage claim against the ex-chairman in the incidental civil action of the second appeal.

(e) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

(f) On May 30, 2016, Janssen Pharmaceutical NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha. The case was suspended.

(g) With regard to the dispute of Risperidone Contract it entered into with the Group, Center Laboratories, Inc. initiated an action for a declaratory judgment confirming the contractual relation against the Group in Taipei District Court on July 1, 2016. Taipei District Court rendered the judgment on March 1, 2018, confirming the contractual relation valid. The Group is not satisfied with the judgment which did not consider the facts and evidence comprehensively and the Group has appealed the case to the second instance to fight for its rights and the case has been moved to the Taiwan High Court.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

(a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

By item	For the years ended December 31,					
	2018			2017		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 206,134	568,502	774,636	211,569	513,536	725,105
Health and labor insurance	16,362	35,626	51,988	16,607	33,322	49,929
Pension	8,666	19,646	28,312	8,688	18,718	27,406
Others	14,239	69,331	83,570	12,203	67,060	79,263
Depreciation expense	100,343	27,033	127,376	103,482	29,764	133,246
Amortization expense	322	17,858	18,180	347	7,796	8,143

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(b) Others

(i) The Group donated $52,354 and $48,406 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2018 and 2017, respectively.

(ii) TSH Biopharm Co., Ltd. signed a grant agreement, “ TRIA11 Osteoporosis Treatment Biopharmaceutical Program”, with the Institute for Information Industry in October 2014. The total budget for the program amounted to $90,000, and the period was from May 1, 2014 to January 31, 2017. Grant funds of $22,498 had been received, and the actual expenditure amounted to $22,498, as of January 31, 2017.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	52,216 USD 1,700	52,216 USD 1,700	52,216 USD 1,700	0.5%	2	-	Operating capital	-	-	-	234,270 CNY 52,386	234,270 CNY52,386
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	76,788 USD 2,500	76,788 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	93,706 CNY 20,954	93,706 CNY 20,954
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	522,155 USD 17,000	522,155 USD 17,000	-	0.9%	2	-	Operating capital	-		-	569,088 USD 18,528	569,088 USD 18,528

The exchange rate of USD to NTD as of the reporting date is 1:30.715, and the average exchange rate of USD to NTD as of the reporting period is 1:30.109.

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The exchange rate of CNY to NTD as of the reporting date is 1:4.472, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.553.

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

1.Trading partner, the number is “1”.

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

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

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of December 31, 2018.

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

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

(ii) Guarantees and endorsements for other parties: None

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(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income–non-current	1,600	48,720	1.37 %	48,720	1.68 %	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income– current	4,199	127,860	3.61 %	127,860	4.40 %	
〃	Cathay Financial Holding Co., Ltd.	-	〃	100	4,700	- %	4,700	- %	
〃	Handa Pharmaceuticals Inc.	-	Financial assets measured at fair value through other comprehensive income–non current	2,625	83,081	2.51 %	83,081	2.51 %	
〃	Fubon Financial Holding Co., Ltd.	-	〃	300	14,115	- %	14,115	- %	
〃	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	〃	2,500	155,000	0.38 %	155,000	0.38 %	
〃	Union Bank of Taiwan Preferred Shares A	-	〃	400	21,360	0.20 %	21,360	0.20 %	
〃	Fubon S&P US Preferred Stock ETFS	-	Financial assets measured at fair value through profit and loss non current	300	5,496	- %	5,496	- %	

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(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price (Note 1)	Cost	Gain (loss) on disposal	Shares	Amount (Note 2)
The Company	PharmaEngine, Inc.	Investments at equity	-	-	26,809	712,642	-	-	3,942	562,183	103,199	495,569	22,867	573,462

Note 1): Disposal price related was deducted by trading tax and commission fees.

Note 2): Including the adjustment of investment income and other equity

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	107,589	3.03 %	30 days	-		13,663	1.73%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

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(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco International Co., Ltd.(HK)	1	Royalty revenue	74,786	By contract	1.85%
0	〃	TSH Biopharm Co., Ltd.	1	Sale revenue	107,589	〃	2.67%
0	〃	〃	1	Other receivable	1,780	〃	0.02%
0	〃	〃	1	Rent revenue	4,167	〃	0.10%
0	〃	〃	1	Other revenue	5,393	〃	0.15%
0	〃	〃	1	Account receivable	13,663	〃	0.15%
0	〃	American Taiwan Biopharma Philippines	1	Account receivable	2,284	〃	0.03%
0	〃	〃	1	Other receivable	9,758	〃	0.11%
0	〃	〃	1	Sales Revenue	6,500	〃	0.16%
1	Worldco International Co., Ltd.(HK)	Worldco Biotech Pharmaceutical Ltd. (Beijing)	1	Other receivable	52,216	〃	0.58%
1	〃	〃	1	Other receivable	9,061	〃	0.10%
1	〃	〃	1	Other receivables	56,935	〃	0.63%

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 above table only discloses the related-party transactions, with each amounting to at least NT$1,000 thousand; transactions which were more than NT$1,000 were not disclosed.

(Continued)

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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,411,196	100.00 %	2,504	2,504	Subsidiary
〃	Worldco International Co., Ltd.(HK)	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	234,272	100.00 %	5,585	5,585	Subsidiary
〃	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(4,148)	87.00 %	107	93	Subsidiary
〃	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	631,435	56.48 %	57,784	32,772	Subsidiary
〃	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	41,748	29.41 %	(34,462)	(10,144)	Subsidiary
〃	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	299,098	350,659	22,867	15.52 %	573,462	18.22 %	129,362	20,504	Investments accounted for using equity method
〃	American Taiwan Biopharm(Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	229,244	40.00 %	45,077	18,031	Investments accounted for using equity method
〃	Gligio International Limited(HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	41,022	40.00 %	37,964	15,186	Investments accounted for using equity method
〃	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	82,059	6,326	27.54 %	58,091	27.54 %	(2,885)	(795)	Investments accounted for using equity method
Xudong Haipu International Co., Ltd	EnhanX Biopharm, Inc	Taiwan	Developing chemical medicine	70,000	-	7,000	29.17 %	58,464	29.17 %	(34,462)	36	Subsidiary
〃	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	-	318	100.00 %	41,587	100.00 %	(2,081)	(2,081)	Subsidiary
〃	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	-	8,750	50.00 %	12,809	50.00 %	(2,418)	(1,209)	Subsidiary
Worldco International Co., Ltd.(HK)	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	-	8,750	50.00 %	12,809	50.00 %	(2,418)	(1,209)	Subsidiary

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(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Worldco Biotech Pharmaceutical Ltd. (Beijing)	Marketing consulting regarding chemical medicine	313,293 USD 10,200	(2)	323,433	-	-	323,433	(3,397) CNY (746)	100 %	100 %	(3,397) CNY (746)	(69,557) CNY (15,554)	-
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	53,217 CNY 11,900	(2)	90,021 CNY 20,130	-	-	90,021 CNY 20,130	(319) CNY (70)	100 %	100 %	(319) CNY (70)	48,852 CNY 10,924	-

The exchange rate of USD to NTD as of the reporting date is 1:30.715, and the average exchange rate of USD to NTD as of the reporting period is 1:30.109.

The exchange rate of CNY to NTD as of the reporting date is 1:4.472, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.554.

Note 1): There are four ways to invest in Mainland China, and only the categories are identified.
1.Remittance from third-region companies to invest in Mainland China.
2.Through the establishment of third-region companies, then investing in Mainland China.
3.Through transfer of investment to third-region existing companies, then investing in Mainland China.
4.Other method.

Note 2): The investment income (loss) was audited by the parent company’s auditors in Taiwan.

Note 3): The amounts are presented in New Taiwan Dollars. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

(Continued)

TTY BIOPHARM COMPANY LIMITEDAND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 423,982	NTD 1,435,251 （USD 46,728 ）	NTD 3,482,420

(iii) Significant transactions:None

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

(14) Segment information:

(a) General information

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

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

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

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

For the year ended December 31, 2018	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	$ 2,557,940	234,893	707,689	515,646	-	20,028	-	4,036,196
Intersegment revenues	188,977	-	-	-	-	-	(188,977)	-
Interest revenue	2,406	-	-	3,190	808	25,707	-	32,111
Total revenue	**$ 2,749,323**	**234,893**	**707,689**	**518,836**	**808**	**45,735**	**(188,977)**	**4,068,307**
Interest expense	$ 17,202	-	-	-	-	85	-	17,287
Depreciation and amortization	128,853	125	300	5,627	752	9,899	-	145,556
Share of profit of associates and joint ventures accounted for using equity method	19,709	33,217	-	-	-	-	-	52,926
Reportable segment profit or loss	**$ 1,369,856**	**60,628**	**235,259**	**65,907**	**7,654**	**(41,845)**	**(29,391)**	**1,668,068**
Assets:								
Investments accounted for using equity method	$ 631,382	270,266	-	-	-	-	-	901,648
Reportable segment assets	**$ 7,823,178**	**230,600**	**310,827**	**1,220,321**	**240,783**	**1,657,841**	**(2,430,415)**	**9,053,135**
For the year ended December 31, 2017								
Revenue:								
Revenue from external customers	$ 2,552,343	223,796	803,702	486,277	-	12,642	-	4,078,760
Intersegment revenues	159,790	-	-	-	-	-	(159,790)	-
Interest revenue	3,328	80	-	3,913	14,944	8	-	22,273
Total revenue	**$ 2,715,461**	**223,876**	**803,702**	**490,190**	**14,944**	**12,650**	**(159,790)**	**4,101,033**
Interest expense	$ 25,191	-	-	-	-	-	-	25,191
Depreciation and amortization	134,109	237	362	5,922	734	25	-	141,389
Share of profit of associates and joint ventures accounted for using equity method	68,883	44,810	-	-	-	-	-	113,693
Reportable segment profit or loss	**$ 1,230,316**	**59,064**	**264,346**	**74,142**	**(1,653)**	**(13,459)**	**(17,689)**	**1,595,067**
Assets:								
Investments accounted for using equity method	$ 771,239	252,781	-	-	-	-	-	1,024,020
Reportable segment assets	**$ 8,269,994**	**235,597**	**256,752**	**1,281,703**	**1,648,403**	**177,621**	**(2,363,003)**	**9,507,067**

(Continued)

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

(c) Information of product and service

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

Product and Service		2017
Medical and functional food	$	3,987,090
Service revenue		91,670
Total	**$**	**4,078,760**

The Group’s revenue for the year 2018, please refer to Note 6 (u).

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Region		2017
External sales：		
Taiwan	$	3,172,350
Others country		906,410
Total	**$**	**4,078,760**

		2018	2017
Non current asset			
Taiwan	$	2,716,738	2,781,209
Mainland of China		25,044	26,319
Other Country		139	69
	$	**2,741,921**	**2,807,597**

The Group’s revenue for the year 2018, please refer to Note 6 (u).

(e) Major customer

The Group’s information about the major customer for the years ended December 31, 2018 and 2017 are as follows:

Costumer		2018	2017
Company A	**$**	**377,517**	**639,576**

KPMG

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Independent Auditors' Report

To the Board of Directors of TTY Biopharm Company Limited:

Opinion

We have audited the accompanying financial statements of TTY Biopharm Company Limited ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Please refer to Note 4(q) of the financial statements for the accounting principles on revenue recognition.

Key audit matters:

The Company's operating revenue was $3,555,620 thousand in 2018, and it has a significant impact on financial statement if operating revenue is not fairly presented. Therefore, the cut-off date of operating revenue is one of the important issue in performing our audit procedures.

Auditing procedures performed:

- Testing the effectiveness of the design and implementing the internal control system of sales and collection operation.

- Testing the samples of sales transaction before and after the balance sheet date to ensure the correctness of sales revenue.

- Inspecting the related documents to ensure the adequacy and the reasonableness of revenue recognition.

2. Inventory valuation

Please refer to Notes 4(g), 5 and 6(e) of the financial statements for the accounting principles on the inventory valuation, significant accounting assumptions and judgments, and major sources of estimation uncertainty, and explanation of inventory.

Key audit matters:

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

Auditing procedures performed:

- Overviewing the stock ageing list, analyzing the movement of stock ageing by period;

- Obtaining the certificate documents to verify the correctness of the stock's expiry date; and

- Sampling the replacement cost and market price of material, and recalculating the net realizable value by marketing expense rate, to ensure the reasonableness of the net realizable value adopted by the Company.

Other Matter

We did not audit the financial statements of PharmaEngine, Inc. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of the other auditors. The amount of long-term investment in the investee company represented 6.85% and 8.13% of the related total assets as of December 31, 2018 and 2017, respectively, and the related investment gains represented 1.23% and 4.39% of the profit before tax for the years ended December 31, 2018 and 2017, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2019

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a) and (u))	$ 505,615	6	759,043	9
1150	Notes receivable, net (note 6(d) and (u))	20,174	-	47,640	1
1170	Accounts receivable, net (note 6(d) and (u))	736,126	9	802,985	9
1180	Accounts receivable due from related parties, net (note 6(d), (u) and 7)	32,103	-	52,641	1
1200	Other receivables, net (note 6(u) and 7)	81,401	1	82,383	1
130X	Inventories (note 6 (e))	703,133	8	625,503	7
1410	Prepayments	22,758	-	14,412	-
1476	Other current financial assets (note 6(a) and (u))	17,888	-	-	-
1470	Other current assets	3,591	-	1,461	-
		2,122,789	24	2,386,068	28
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b) and (u))	48,720	1	-	-
1523	Non-current available-for-sale financial assets, net (note 6(c) and (u))	-	-	47,200	1
1550	Investments accounted for using equity method, net (note 6(f))	3,220,470	39	3,327,751	37
1600	Property, plant and equipment (note 6(g))	2,438,554	30	2,513,641	29
1760	Investment property, net (note (h))	77,289	1	77,644	1
1780	Intangible assets (note 6(i))	32,472	-	9,189	-
1840	Deferred tax assets (note 6(n))	22,083	-	25,324	-
1915	Prepayments for business facilities	184,243	2	165,320	2
1920	Refundable deposits paid (note 6(u))	22,322	-	22,939	-
1981	Cash surrender value of life insurance (note 6(u))	13,357	-	7,275	-
1984	Other non-current financial assets (note 6(a), (u) and 8)	143,086	2	124,007	1
1990	Other non-current assets	43,366	1	60,321	1
		6,245,962	76	6,380,611	72
	Total assets	**$ 8,368,751**	**100**	**8,766,679**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(j) and (u))	$ 1,150,000	14	1,650,000	19
2130	Contract liabilities-current(note 6(q) and 7)	5,337	-	-	-
2150	Notes payable (note 6(u))	2,397	-	36,882	-
2170	Accounts payable (note 6(u))	139,940	2	58,555	1
2230	Current tax liabilities	129,544	2	126,631	1
2200	Other payables (note 6(u))	412,992	5	432,245	5
2300	Other current liabilities	30,082	-	48,049	1
2320	Long-term liabilities, current portion (note 6(u))	-	-	300,000	3
		1,870,292	23	2,652,362	30
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(k) and (u))	350,000	4	250,000	3
2570	Deferred tax liabilities (note 6(n))	278,700	3	298,136	3
2640	Net defined benefit liability, non-current (note 6(m))	58,459	1	54,310	-
2645	Guarantee deposits received (note 6(u) and 7)	3,119	-	10,759	-
2650	Credit balance of investments accounted for using equity method (note 6(f))	4,148	-	4,336	-
		694,426	8	617,541	6
	Total liabilities	2,564,718	31	3,269,903	36
	Equity (note 6(o)):				
3100	Capital stock	2,486,500	30	2,486,500	27
3200	Capital surplus	348,819	4	396,113	5
3310	Legal reserve	857,418	10	722,945	8
3320	Special reserve	110,154	1	110,154	1
3350	Unappropriated retained earnings	1,954,321	23	1,758,633	20
3400	Other equity interest	46,821	1	22,431	-
	Total equity	5,804,033	69	5,496,776	61
	Total liabilities and equity	**$ 8,368,751**	**100**	**8,766,679**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(q), (r) and 7)**	$ 3,555,620	100	3,672,040	100
5000	**Operating costs (note 6(e) and 7)**	1,246,982	35	1,321,777	36
	Gross profit	2,308,638	65	2,350,263	64
5910	Less:Unrealized profit (loss) from sales	10,400	-	10,004	-
5920	Add:Realized profit (loss) from sales	10,004	-	7,550	-
	Gross profit, net	2,308,242	65	2,347,809	64
6000	**Operating expenses (note 6(m) and 12):**				
6100	Selling expenses	760,967	21	689,514	19
6200	Administrative expenses	260,029	7	226,955	6
6300	Research and development expenses	230,595	6	219,126	6
		1,251,591	34	1,135,595	31
	Net operating income	1,056,651	31	1,212,214	33
	Non-operating income and losses (note 6(t) and 7):				
7010	Other income	16,645	-	20,058	1
7020	Other gains and losses, net	527,982	15	225,646	6
7050	Finance costs, net	(17,202)	-	(25,191)	(1)
7070	Share of profit of subsidiaries and associates accounted for using equity method (note 6(f))	83,736	2	130,971	4
		611,161	17	351,484	10
	Profit before tax	1,667,812	48	1,563,698	43
7950	Less: Income tax expense (note 6(n))	206,431	6	218,967	6
	Profit for the year	1,461,381	42	1,344,731	37
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(4,102)	-	(9,701)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,520	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(2,582)	-	(9,701)	-
8360	**Components of other comprehensive income that may be reclassified to profit or loss**				
8361	Exchange differences on translation	49,343	1	(117,339)	(3)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(23,600)	(1)
8380	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	(20,203)	(1)	(141,661)	(4)
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	(6,252)	-	19,943	1
	Components of other comprehensive income that may be reclassified to profit or loss	22,888	-	(262,657)	(7)
8300	**Other comprehensive income for the year, net of tax**	20,306	-	(272,358)	(7)
	Total comprehensive income for the year	**$ 1,481,687**	**42**	**1,072,373**	**30**
	Earnings per share, net of tax (note 6(p))				
	Basic earnings per share	**$**	**5.88**		**5.41**
	Diluted earnings per share	**$**	**5.87**		**5.40**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
Balance on January 1, 2017	$ 2,486,500	405,368	603,613	110,154	1,487,805	(2,362)	-	287,450	285,088	5,378,528
Profit for the year ended December 31, 2017	-	-	-	-	1,344,731	-	-	-	-	1,344,731
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(9,701)	(97,372)	-	(165,285)	(262,657)	(272,358)
Comprehensive income for the year ended December 31, 2017	-	-	-	-	1,335,030	(97,372)	-	(165,285)	(262,657)	1,072,373
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	119,332	-	(119,332)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(944,870)	-	-	-	-	(944,870)
Other changes in capital surplus:										
Changes in equity of associates accounted for using equity method	-	5,070	-	-	-	-	-	-	-	5,070
Disposal of subsidiaries or investments accounted for using equity method	-	(14,325)	-	-	-	-	-	-	-	(14,325)
Balance on December 31, 2017	2,486,500	396,113	722,945	110,154	1,758,633	(99,734)	-	122,165	22,431	5,496,776
Effects of retrospective application	-	-	-	-	(43)	-	122,167	(122,165)	2	(41)
Equity at beginning of period after adjustments	2,486,500	396,113	722,945	110,154	1,758,590	(99,734)	122,167	-	22,433	5,496,735
Profit for the year ended December 31, 2018	-	-	-	-	1,461,381	-	-	-	-	1,461,381
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(4,102)	43,040	(18,632)	-	24,408	20,306
Comprehensive income for the year ended December 31, 2018	-	-	-	-	1,457,279	43,040	(18,632)	-	24,408	1,481,687
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	134,473	-	(134,473)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,118,925)	-	-	-	-	(1,118,925)
Other changes in capital surplus:										
Changes in equity of associates accounted for using equity method	-	(10,703)	-	-	-	-	-	-	-	(10,703)
Disposal of subsidiaries or investments accounted for using equity method	-	(36,591)	-	-	-	-	-	-	-	(36,591)
Changes in ownership interests in subsidiaries	-	-	-	-	(8,170)	-	-	-	-	(8,170)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20	-	(20)	-	(20)	-
Balance on December 31, 2018	**$ 2,486,500**	**348,819**	**857,418**	**110,154**	**1,954,321**	**(56,694)**	**103,515**	**-**	**46,821**	**5,804,033**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,667,812	1,563,698
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	123,488	129,261
Amortization expense	5,790	5,447
Interest expense	17,202	25,191
Interest income	(2,406)	(3,408)
Share of profit of subsidiaries and associates accounted for using equity method	(83,736)	(130,971)
Loss on disposal of property, plant and equipment	1,100	1,938
Allocation of deferred income	(988)	(1,010)
Gain on disposal of investments accounted for using equity method	(495,569)	(222,174)
Decrease in current provisions	-	(3,805)
Unrealized profit (loss) from sales	10,400	10,004
Realized loss (profit) from sales	(10,004)	(7,550)
Total adjustments to reconcile profit (loss)	(434,723)	(197,077)
Changes in operating assets and liabilities:		
Notes receivable	27,466	(15,352)
Accounts receivable	87,397	(140,627)
Other receivable	(28,464)	(8,834)
Inventories	(77,630)	(100,497)
Other current assets	(10,476)	13,543
Total changes in operating assets	(1,707)	(251,767)
Current contract liabilities	(16,215)	-
Notes payable	(34,485)	20,783
Accounts payable	81,385	646
Other payable	(19,577)	18,395
Other current liabilities	3,585	2,027
Net defined benefit liability	47	(12)
Total changes in operating liabilities	14,740	41,839
Total changes in operating assets and liabilities	13,033	(209,928)
Total adjustments	(421,690)	(407,005)
Cash inflow generated from operations	1,246,122	1,156,693
Interest received	2,406	3,408
Dividends received	98,442	133,732
Interest paid	(17,342)	(25,074)
Income taxes paid	(225,965)	(271,775)
Net cash flows from operating activities	1,103,663	996,984
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(50,000)
Proceeds from disposal of investments accounted for using equity method	591,629	213,714
Acquisition of property, plant and equipment	(41,512)	(83,027)
Proceeds from disposal of property, plant and equipment	118	114
Decrease (increase) in refundable deposits	617	(2,994)
Acquisition of intangible assets	(12,117)	(700)
Decrease (increase) in other financial assets	(36,967)	7,390
Increase in prepayments for business facilities	(26,211)	(10,922)
Increase in other non-current assets	(6,083)	(49,962)
Net cash flows from investing activities	469,474	23,613
Cash flows from (used in) financing activities:		
Increase in short-term loans	6,257,500	8,719,000
Decrease in short-term loans	(6,757,500)	(8,318,010)
Proceeds from long-term loans	300,000	250,000
Repayments of long-term loans	(500,000)	(530,000)
(Decrease) increase in guarantee deposits received	(7,640)	152
Cash dividends paid	(1,118,925)	(944,870)
Net cash flows used in financing activities	(1,826,565)	(823,728)
Net (decrease) increase in cash and cash equivalents	(253,428)	196,869
Cash and cash equivalents at beginning of year	759,043	562,174
Cash and cash equivalents at end of year	**$ 505,615**	**759,043**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

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

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

The financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

(3) New standards and interpretations not yet adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it doesn't need to restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it doesn't need to restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sales of products, revenue was recognized based on the individual terms of each sales agreement when (i) the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership were transferred, (ii) sales and costs can be measured reliably and recoverable and (iii) there is no involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) The impacts of the financial statements

No significant adjustments were made for the above accounting policies.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Additionally, the Company adopted the consequential amendments to IFRS 7 “ Financial Instruments: Disclosures” to disclose the information from 2018 but generally have not been applied to comparative information.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

The detail of new significant accounting policies and the effects of adopting IFRS 9 are outlined below:

1) Classification of financial assets and financial liabilities

There are three classification categories for financial assets under IFRS 9: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets is based on the business model and its contractual cash flow characteristics. The standard eliminates the categories of held to maturity, loans and receivables and available for sale under IAS 39. The accounting policies of the Company under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

Under IAS 39, impairment losses were recognized when they incurred. After the adoption of IFRS 9, impairment losses will be recognized by using expected credit loss (ECLS) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see Note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  －The determination of the business model within which a financial asset is held.

  －The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
Financial Assets	**Measurement categories**	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Cash and equivalents	Loans and receivables	$ 759,043	Amortized cost	759,043
Equity instruments	Available-for-sale (Note 1)	47,200	FVOCI	47,200
Account receivable	Loans and receivables (Note 2)	985,649	Amortized cost	985,649
Other financial assets (including guarantee deposits paid and cash surrender value of life insurance)	Loans and receivables	154,221	Amortized cost	154,221

Note1: These equity securities represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

Note2: Notes and accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are classified as amortized cost now.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings adjustments	2018.1.1 Other equity adjustments
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 47,200	(47,200)	-		-	-
Subtractions – equity instruments:						
To FVOCI – required reclassification based on classification criteria	-	47,200	-		-	-
Total	$ 47,200	-	-	47,200	-	-

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single leasee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, rent expense will be replaced by depreciation and interest expense in the income statement. There are exemptions for short-term leases and leases of low-value items. The accounting stays the same for lessors, which is to classify their leases as either financial leases or operating leases for those two types of leases differently.

1) Determining whether an arrangement contains a lease

The Company has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Company can choose to apply either of the following:

- reassessing all its contracts; or
- as a practical expedient, the Company does not need any reassessment.

The Company plans to apply the practical expedient. It means that the Company will apply IFRS 16 to all contracts begin from January 1, 2019.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- full retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can select, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses practical expedients below:

- applying a single discount rate to a portfolio of leases with similar characteristics.
- applying the exemption, not to recognize the right-of-use assets and liabilities of leases with lease term that ends within 12 months from the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- determining the lease term if the contract contains options to extend or terminate the lease in hindsight.

3) So far, the most significant impact is that the Company will have to recognize the right-of-use assets and liabilities for the operating leases of its offices. The Company estimated that both the right-of-use assets and the lease liabilities will be increased by $7,737 on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 will have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards.

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial assets measured at fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

2) The net defined benefit liability is recognized as the fair value of plan assets less the present value of the defined benefit obligation with reference to Note 4(r).

(Continued)

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operates. The financial statements are presented in New Taiwan Dollars, which is the Company' s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currencies transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of the date. The foreign currency gain or loss on monetary items are the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated New Taiwan Dollars at exchange rates of the reporting date. The income and expenses of foreign operations, are translated to New Taiwan Dollars at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

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

(Continued)

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

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

(i) It is expected to be realized, or is intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be classified as other current and/or non-current financial assets.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of financial asset are reclassified to retained earnings.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets) and contract assets.

The Company calculates the allowances at an amount equal to lifetime expected credit loss (ECL), except for the followings：

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

The allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

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

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

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

- significant financial difficulty of the borrower or issues;
- default (i.e. delay or overdue of payment terms)
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy, or the financial recrganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

4) Derecognition of financial assets

Financial assets and derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable before January 1, 2018)

Financial assets are classified into the following categories: available-for-sale financial assets and loans and receivables.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in the non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in other income of non-operating income and expenses.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Impairment losses and recoveries of other financial assets are recognized in other gain or losses of non-operating income and expenses.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is included in other gain or losses of non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Financial liabilities and equity instruments

a) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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

Interest related to the financial liability is recognized in profit or loss, and is included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(Continued)

b) Other financial liabilities

Financial liabilities are not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in financial cost of non-operating income or expenses.

c) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gain or losses of non-operating income or expenses.

d) Offsetting of financial assets and liabilities

The Company presents its financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

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

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

(h) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio, under capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associate.

(i) Subsidiaries

The subsidiaries in which the Company holds a controlling interest are accounted for under the equity method in the non-consolidated financial statements. Under the equity method, the net income, other comprehensive income, and equity in the non-consolidated financial statements are the same as those attributable to the owners of the parent in the consolidated financial statements.

Changes in ownership of the subsidiaries are recognized as equity transactions.

(j) Investment property

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

(Continued)

TTY BIOPHARM COMPANY LIMITED
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Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and depreciation method of that significant part are the as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimate useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	2-60 years
Machinery and equipment	2-24 years
Transportation equipment	5-8 years
Office and other equipment	1-30 years

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

The depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from the previous estimate, the changes are accounted for as a changes in accounting estimate.

(iv) Reclassification as investment property

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

(Continued)

(l) Lease

(i) Lessor

A finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, and are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

The Company shall evaluate an arrangement at inception. If the fulfillment of the arrangement is dependent on the use of a specific asset or the shift of the use of an asset, such an arrangement is or contains a lease. The Company determines whether the lease is classified as a finance lease or an operating lease according to previous principles at inception or on reassessment of the arrangement.

If an arrangement contains both a lease and other elements, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made, and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

(Continued)

TTY BIOPHARM COMPANY LIMITED
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If, on the other hand, the Company concludes for an operating lease that it is impractical to separate the payment reliably, then it treats all payments under the arrangement as lease payments, and discloses the situation accordingly.

(m) Intangible assets

(i) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iv) Amortization

The amortizable amount is the cost of an asset, less its residual value.

Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patent and franchise 10 years

2) Computer software cost 3-10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as a change in accounting estimates.

(n) Impairment of non-financial assets

The carrying amounts of the Company' s non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset' s cash generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. Such is deemed as an impairment loss, which shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset shall be increased to its recoverable amount by reversing an impairment loss.

(o) Cash surrender value of life insurance

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

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(p) Provisions

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

(q) Revenue recognition

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

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

1) Sale of goods

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

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

2) Authorization revenue

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

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

(Continued)

3) Financing components

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

(ii) Revenue (policy applicable before January 1, 2018)

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

2) Service

The Company provides consulting and management services for customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3) Commissions

When the Company plays the role of an agent rather than a principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

4) Lease revenue

Lease revenue which arises from investment property is recognized on a straight-line basis over the lease term. Lease incentives are considered to be a part of the whole lease revenue and treated as a reduction of lease revenue on a straight-line basis over the lease term. The income from subleasing is recognized as lease revenue, under “non-operating income and expenses”.

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 "Inventories", IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets"), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:
(i) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
(ii) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(iii) the costs are expected to be recovered.

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

(r) Employee benefits

(i) Defined contribution plan

Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

TTY BIOPHARM COMPANY LIMITED
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(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company' s net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on (market yields of high-quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company reclassify the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of the defined benefit obligation.

(iii) Other long-term employee benefits

The net obligations are calculated using the projected unit credit method. The amount of future benefit that employees have earned in return for their service in the current or prior period is discounted to determine its fair value. The discount rate is determined based on the market interest rate of high-quality bonds with similar conditions or government bonds.

All the actuarial gains and losses are recognized in profit or loss in the current period.

(iv) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(Continued)

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transactions.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred taxes assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

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Notes to the Financial Statements

(t) Earnings per share

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

(u) Operating segments

Please refer to the consolidated financial statements of TTY Biopharm Company Limited for the years ended December 31, 2018 and 2017.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

- Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	**December 31, 2017**
Cash on hand	$ 2,382	1,956
Cash in banks	503,233	560,267
Time deposits	-	196,820
	$ 505,615	**759,043**

(i) The above cash and cash equivalents were not pledged as collateral.

(Continued)

TTY BIOPHARM COMPANY LIMITED
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(ii) Time deposits which do not meet the definition of cash equivalents are accounted for under other financial assets─current and noncurrent.

(iii) Please refer to Note 6(u) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Financial asset measured at fair value through other comprehensive income

		December 31, 2018
Equity instrument measured at fair value through other comprehensive income:		
Listed common shares－Lumosa Therapeutics Co., Ltd.	$	48,720

(i) The Company intends to hold the equity instrument for the long term for strategic purposes, and has designated these investments at the date of initial application as measured at FVOCI. The investment is recognized as available-for-sale financial assets on December 31, 2017; please refer to Note 6(c).

(ii) No strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2018.

(iii) For credit risk and market risk, please refer to Note 6(u).

(iv) As of December 31, 2018, the financial assets at fair value through other comprehensive income of the Company were not pledged as collateral.

(c) Available-for-sale financial assets

		December 31, 2017
Stocks listed on domestic markets:		
Lumosa Therapeutics Co., Ltd.	$	47,200

(i) The investment is recognized as financial assets at fair value through other comprehensive income on December 31, 2018, please refer to Note 6(c).

(ii) The amount of other comprehensive income or loss due to changes in fair value, please refer to Note 6(o).

(iii) For credit risk and market risk, please refer to Note 6(u).

(iv) As of December 31, 2017, the available-for-sale financial assets of the Company were not pledged as collateral.

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Notes to the Financial Statements

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

	December 31, 2018	December 31, 2017
Notes receivables －operating	$ 18,579	46,045
Notes receivables －non-operating	1,595	1,595
Accounts receivables	762,410	829,269
Accounts receivables –related parties	32,103	52,641
Less: Allowance for impairment (expected credit loss)	(26,284)	(26,284)
	$ 788,403	**903,266**

The Company applied the simplified approach to its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on credit risk characteristics and the days past due, as well as incorporated forward-looking information, including macroeconomic and relevant industry information. The allowance for expected credit loss as of December 31, 2018 was determined as follows:

	Face value of notes and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	$ 790,080	0%~1%	5,920
Past due less than 90 days	4,327	4%~6%	216
Past due 91-180 days	306	55%~60%	174
Past due more than 181 days	19,974	100%	19,974
	$ 814,687		**26,284**

As of December 31, 2017, the Company applied the incurred loss model to estimate the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due less than 90 days	**$ 3,884**

(Continued)

TTY BIOPHARM COMPANY LIMITED
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The movement of allowance for impairment are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017	
		Individually assessed of loss reduction	Collectively assessed impairment
Beginning balance (IAS39)	$ 26,284	20,394	10,890
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	26,284		
Impairment losses reversed	-	-	(5,000)
Balance on December 31, 2018 and 2017	**$ 26,284**	**20,394**	**5,890**

The aforementioned notes and accounts receivable of the Company were not pledged as collateral.

(e) Inventories

	December 31, 2018	December 31, 2017
Merchandise	$ 188,493	154,605
Finished goods	127,517	101,497
Work in process	92,944	108,060
Raw materials	208,287	183,436
Materials	32,666	29,650
Subtotal	649,907	577,248
Goods in transit	90,602	97,919
Total	740,509	675,167
Less: Allowance for inventory market decline and obsolescence	(37,376)	(49,664)
Net amount	**$ 703,133**	**625,503**

The cost of inventories recognized as operating cost for the years ended December 31, 2018 and 2017, amounted to $1,253,118 and $1,297,756, respectively. The main item was the costs from selling good. For the years ended December 31, 2018 and 2017, the reversal of allowance amounted to $12,288 and $8,349 respectively.

As of December 31, 2018 and 2017, the inventories of the Company were not pledged as collateral.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(f) Investments accounted for using equity method

The Company's financial information for equity-accounted investees at the reporting date was as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 2,314,503	2,298,985
Associates	901,819	1,024,430
	$ 3,216,322	**3,323,415**

(i) Subsidiaries

Please refer to the consolidated financial report for the years ended December 31, 2018 and 2017.

(ii) Associates

1) As of December 31, 2018 and 2017 the carrying value of associates which had a quoted market price amounted to $631,554 and $771,239, respectively, while fair value amounted to $2,745,907 and $4,386,636, respectively.

2) For the years ended December 31, 2018 and 2017, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased treasury shares, which led to a change in the shareholding ratio, and such change was (debited) credited to capital surplus of $(10,703) and $5,070, respectively. For the years ended 2018 and 2017, the Company sold the shares of PharmaEngine, Inc, and recognized a gain on disposal investment of $495,569 and $222,174, respectively, which were under "other gain or losses". The gain on disposal included the related amount which were recognized through in comprehensive income and capital surplus. The voting interest percentage for the years ended 2018 and 2017, decreased from 18.22% to 15.52% and 19.30% to 18.22%, respectively.

3) Associates that had materiality were as follows:

			Equity ownership	
Associate	**Nature of relationship**	**Country of registration**	**December 31, 2018**	**December 31, 2017**
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	15.52 %	18.22 %

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

The following is the summary of financial information on the Company's significant associates. In order to reflect the adjustments for fair value in acquisition of shares and differences in accounting policies, adjustment for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial information:

・Summary financial information on PharmaEngine, Inc.

	December 31, 2018	December 31, 2017
Current assets	$ 3,820,100	4,071,199
Non-current assets	26,685	39,732
Current liabilities	(152,671)	(199,899)
Net assets	**$ 3,694,114**	**3,911,032**
Net assets attributable to non-controlling interests	**$ 573,462**	**712,642**
Net assets attributable to investee owners	**$ 3,120,652**	**3,198,390**

	For the years ended December 31, 2018	2017
Revenue	**$ 293,430**	**853,677**
Profit for the year	$ 129,362	387,063
Other comprehensive income	(46)	187
Comprehensive income	**$ 129,316**	**387,250**
Comprehensive income attributable to non-controlling interests	**$ 20,497**	**68,640**
Comprehensive income attributable to investee owners	**$ 108,819**	**318,610**

	For the years ended December 31, 2018	2017
Net assets attributable to the Company, January 1	$ 712,642	733,329
Effects of recognition of retained earnings while adopting new standards	(41)	-
Recognition of capital surplus due to change in associates	(10,703)	5,070
Comprehensive income attributable to the Company	20,497	68,640
Cash dividends received from associates	(45,734)	(59,086)
Disposal of investment of associates	(103,199)	(35,311)
Net assets attributable to the Company, December 31	573,462	712,642
Carrying amount of interest in associates, December 31	**$ 573,462**	**712,642**

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

4) Summary financial information on individually insignificant associates

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

	December 31, 2018	December 31, 2017
Carrying amount of interest in individually insignificant associates	$ **328,357**	**311,788**

	For the years ended December 31, 2018	2017
Attributable to the Company:		
Profit for the year	$ 32,422	45,088
Other comprehensive income	(8,737)	480
Comprehensive income	$ **23,685**	**45,568**

5) Collateral

As of December 31, 2018 and 2017 the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(g) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Construction in progress	Total
Cost:							
Balance on January 1, 2018	$ 810,323	1,268,367	656,691	5,755	431,241	156,434	3,328,811
Additions	-	6,353	5,035	-	20,718	9,406	41,512
Disposals	-	(1,194)	(2,671)	-	(1,354)	-	(5,219)
Reclassifications	-	17,107	1,920	-	5,654	(16,929)	7,752
Balance on December 31, 2018	**$ 810,323**	**1,290,633**	**660,975**	**5,755**	**456,259**	**148,911**	**3,372,856**
Balance on January 1, 2017	$ 810,323	1,238,924	655,763	3,171	400,206	126,957	3,235,344
Additions	-	11,902	1,548	2,584	19,022	47,971	83,027
Disposals	-	(4,233)	(620)	-	(10,021)	-	(14,874)
Reclassifications	-	21,774	-	-	22,034	(18,494)	25,314
Balance on December 31, 2017	**$ 810,323**	**1,268,367**	**656,691**	**5,755**	**431,241**	**156,434**	**3,328,811**

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Construction in progress	Total
Depreciation:							
Balance on January 1, 2018	$ -	257,778	276,192	1,712	279,488	-	815,170
Depreciation for the year	-	58,657	36,228	894	27,354	-	123,133
Disposals	-	(1,194)	(1,818)	-	(989)	-	(4,001)
Balance on December 31, 2018	**$ -**	**315,241**	**310,602**	**2,606**	**305,853**	**-**	**934,302**
Balance on January 1, 2017	$ -	203,771	235,682	1,234	258,399	-	699,086
Depreciation for the year	-	58,186	41,101	478	29,141	-	128,906
Disposals	-	(4,179)	(591)	-	(8,052)	-	(12,822)
Balance on December 31, 2017	**$ -**	**257,778**	**276,192**	**1,712**	**279,488**	**-**	**815,170**
Carrying amounts:							
Balance on December 31, 2018	**$ 810,323**	**975,392**	**350,373**	**3,149**	**150,406**	**148,911**	**2,438,554**
Balance on January 1, 2017	**$ 810,323**	**1,035,153**	**420,081**	**1,937**	**141,807**	**126,957**	**2,536,258**
Balance on December 31, 2017	**$ 810,323**	**1,010,589**	**380,499**	**4,043**	**151,753**	**156,434**	**2,513,641**

(i) Collateral

As of December 31, 2018 and 2017, the property, plant and equipment were not pledged as collateral.

(i) Property, plant and equipment under construction

As of the reporting date, expenditures of new plants which were under construction incurred amounted to $148,911, and there was no capitalized loan cost for the years ended December 31, 2018 and 2017.

(h) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance on January 1, 2018	**$ 69,152**	**15,526**	**84,678**
Balance on December 31, 2018	**$ 69,152**	**15,526**	**84,678**
Balance on January 1, 2017	**$ 69,152**	**15,526**	**84,678**
Balance on December 31, 2017	**$ 69,152**	**15,526**	**84,678**
Depreciation and impairment loss:			
Balance on January 1, 2018	$ -	7,034	7,034
Depreciation	-	355	355
Balance on December 31, 2018	**$ -**	**7,389**	**7,389**
Balance on January 1, 2017	$ -	6,679	6,679
Depreciation	-	355	355
Balance on December 31, 2017	**$ -**	**7,034**	**7,034**

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

	Land	Building and construction	Total
Carrying amount:			
Balance on December 31, 2018	$ 69,152	8,137	77,289
Balance on January 1, 2017	$ 69,152	8,847	77,999
Balance on December 31, 2017	$ 69,152	8,492	77,644
Fair value:			
Balance on December 31, 2018			$ 178,586
Balance on December 31, 2017			$ 103,193

(i) The fair value of investment property was evaluated based on the recent market transactions on arm's-length terms.

(ii) As of December 31, 2018 and 2017, the Company's investment properties were not pledged as collateral.

(i) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the years ended December 31, 2018 and 2017, were as follows:

	Computer software	Patent and franchise	Total
Cost:			
Balance on January 1, 2018	$ 31,358	-	31,358
Additions	1,221	10,896	12,117
Disposals	(1,876)	-	(1,876)
Reclassifications	-	16,956	16,956
Balance on December 31, 2018	$ 30,703	27,852	58,555
Balance on January 1, 2017	$ 35,269	-	35,269
Additions	700	-	700
Disposals	(4,611)	-	(4,611)
Balance on December 31, 2017	$ 31,358	-	31,358
Amortization and impairment loss:			
Balance on January 1, 2018	$ 22,169	-	22,169
Amortization for the year	4,397	1,393	5,790
Disposals	(1,876)	-	(1,876)
Balance on December 31, 2018	$ 24,690	1,393	26,083
Balance on January 1, 2017	$ 21,333	-	21,333
Amortization for the year	5,447	-	5,447
Disposals	(4,611)	-	(4,611)
Balance on December 31, 2017	$ 22,169	-	22,169

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

	Computer software	Patent and franchise	Total
Carrying amount:			
Balance on December 31, 2018	$ 6,013	26,459	32,472
Balance on January 1, 2017	$ 13,936	-	13,936
Balance on December 31, 2017	$ 9,189	-	9,189

Amortization expenses for intangible assets for the years ended December 31, 2018 and 2017 were recorded under statements of comprehensive income, were as follows:

	For the years ended December 31	
	2018	2017
Operating costs	$ 322	347
Operating expenses	5,468	5,100
	$ 5,790	5,447

As of December 31, 2018 and 2017 the aforementioned intangible assets were not pledged as collateral.

(j) Short-term borrowings

	December 31, 2018	December 31, 2017
Secured bank loans	$ 1,150,000	1,650,000
Unused short-term credit lines	$ 1,170,321	1,112,811
Range of interests rates	0.92%~0.96%	0.91%~1.02%

Please refer to Note 6(u) for relevant information about exposure to interest rate risk and liquidity risk.

(k) Long-term borrowings

Term and condition for the details of long term borrowings are follows:

	December 31, 2018			
	Currency	Interest rate	Maturity	Amount
Unsecured bank loans	NTD	1.115%~1.180%	2020	$ 350,000
Less: Current portion				-
Total				$ 350,000
Unused long-term credit lines				$ 400,000

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

	December 31, 2017			
	Currency	Interest rate	Maturity	Amount
Unsecured bank loans	NTD	1.115%~1.298%	2020	$ 550,000
Less: Current portion				(300,000)
Total				**$ 250,000**
Unused long-term credit lines				**$ 430,000**

(l) Operating leases

(i) Leases as lessee

Non-cancellable rentals payable of operating lease were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 2,987	2,608
Between one and five years	3,825	6,017
	$ 6,812	**8,625**

(ii) Leases as lessor

The Company leases out its investment properties (see Note 6(h)). The future minimum leases payments under non-cancellable leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 13,037	11,536
Between one and five years	16,069	5,974
	$ 29,106	**17,510**

(m) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 122,955	117,605
Fair value of plan assets	(64,496)	(63,295)
Net defined benefit liabilities (assets)	**$ 58,459**	**54,310**

The Company's employee benefit liabilities were as below:

	December 31, 2018	December 31, 2017
Vacation liability	**$ 10,719**	**10,719**

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

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

1) Composition of plan assets

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

The balance of labor pension reserve of the Company was $64,496 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31	
	2018	2017
Defined benefit obligation, January 1	$ 117,605	115,353
Current service costs and interest costs	2,572	2,645
Remeasurement loss (gain)		
－Return on plan assets excluding interest income	6,102	9,436
Benefits paid	(3,324)	(9,829)
Defined benefit obligations, December 31	**$ 122,955**	**117,605**

3) Movements in the present value of defined benefit plan assets

The movements in the present value of defined benefit plan assets for the Company were as follows:

	For the years ended December 31	
	2018	2017
Fair value of plan assets at January 1	$ 63,295	70,732
Remeasurement loss (gain)		
－Return on plan assets excluding interest income	2,694	667
Contributions paid by employer	1,831	1,725
Benefits paid	(3,324)	(9,829)
Fair value of plan assets at December 31	**$ 64,496**	**63,295**

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

4) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2018	**2017**
Current service cost	$ 1,264	1,145
Net interest of net liabilities for defined benefit obligation	1,308	1,500
Curtailment or settlement gains	(693)	(933)
	$ 1,879	**1,712**
Operating costs	$ 626	655
Selling expenses	572	472
Administrative expenses	291	265
Research and development expenses	390	320
	$ 1,879	**1,712**

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

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31	
	2018	**2017**
Accumulated amount at January 1	$ 6,637	(3,064)
Recognized during the year	4,102	9,701
Accumulated amount at December 31	**$ 10,739**	**6,637**

6) Actuarial assumptions

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

	December 31, 2018	**December 31, 2017**
Discount rate	1.03 %	1.15 %
Future salary increases rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $1,855.

The weighted-average lifetime of the defined benefit plan is 4 years.

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

7) Sensitivity analysis

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

		Influence of defined defined benefit obligation	
		Increase by 0.50%	**Decrease by 0.50%**
December 31, 2018			
Discount rate	$	(5,335)	5,711
Future salary increase		4,988	(4,626)
December 31, 2017			
Discount rate	$	(5,364)	5,757
Future salary increase		5,063	(4,786)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $23,088 and $22,147 for the years ended December 31, 2018 and 2017, respectively.

(n) Income Tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, the corporate income tax rate increases from 17% to 20%.

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(i) Income tax expense

The components of income tax expense were as follows:

		For the years ended December 31	
		2018	**2017**
Current tax expense			
Current period	$	226,516	223,074
Adjustment for prior periods		2,362	(7,894)
		228,878	215,180
Deferred tax expense			
Origination and reversal of temporary difference		(63,707)	3,787
Adjustment in tax rate		41,260	-
Income tax expense	**$**	**206,431**	**218,967**

The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

		For the years ended December 31	
		2018	**2017**
Items that may be reclassified subsequently to profit and loss:			
Share of other comprehensive income of associates and joint ventures accounted for under equity method	**$**	**(6,252)**	**19,943**

Reconciliation of income tax and profit before tax for 2018 and 2017 were as follows:

		For the years ended December 31	
		2018	**2017**
Profit before income tax	$	1,667,812	1,563,698
Income tax using the Company's domestic tax rate	$	333,562	265,829
Adjustment in tax rate		41,260	-
Share of profit of investments accounted for using equity method		62,697	(21,004)
Change in unrecognized temporary differences		(78,010)	-
Non-deductible expenses		12,910	7,542
Tax exemption		(4,000)	(3,825)
Change in provision in prior periods		2,362	(7,894)
Undistributed earnings additional tax at 10%		8,163	12,684
Gains derived from securities transactions		(99,114)	(37,770)
Others		(73,399)	3,405
	$	**206,431**	**218,967**

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2018. Also, management considers the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2018	December 31, 2017
Amount of temporary differences related to investments in subsidiaries	$ (78,010)	-
Unrecognized deferred tax liabilities	$ (78,010)	-

The movements in deferred tax assets and liabilities recognized for the years ended December 31, 2018 and 2017 were as follows:

	Gain on foreign investments	Reserve for land revaluation increment tax	Total
Deferred tax liabilities:			
Balance on January 1, 2018	$ 237,265	60,871	298,136
Recognized in profit or loss	(25,688)	-	(25,688)
Recognized in other comprehensive income	6,252	-	6,252
Balance on December 31, 2018	$ **217,829**	**60,871**	**278,700**
Balance on January 1, 2017	$ 253,858	60,871	314,729
Recognized in profit or loss	3,350	-	3,350
Recognized in other comprehensive income	(19,943)	-	(19,943)
Balance on December 31, 2017	$ **237,265**	**60,871**	**298,136**

	Defined benefit plan	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:				
Balance on January 1, 2018	$ 5,830	8,443	11,051	25,324
Recognized in profit or loss	1,038	(968)	(3,311)	(3,241)
Balance on December 31, 2018	$ **6,868**	**7,475**	**7,740**	**22,083**
Balance on January 1, 2017	$ 5,833	9,862	10,066	25,761
Recognized in profit or loss	(3)	(1,419)	985	(437)
Balance on December 31, 2017	$ **5,830**	**8,443**	**11,051**	**25,324**

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iii) Examination and approval

The Company's income tax returns through 2014 have been examined and approved by the Tax Authority.

(o) Capital and other equity

As of December 31, 2018 and 2017, the number of authorized ordinary shares were both 350,000 shares with par value of $10 per share and the total value of authorized ordinary shares both amounted to $3,500,000. The paid-in capital were both $2,486,500.

(i) Capital surplus

The ending balance of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 484	484
Long-term investment	348,335	395,629
	$ 348,819	**396,113**

According to the R.O.C. Company Act amended in 2012, capital surplus can be used to offset a deficit, or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no deficit. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

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

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

1) Legal reserve

In accordance with the Company Act amended in 2012, 10% of net income is set aside as legal reserve until it is equal to share capital. If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25% of the actual share capital.

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TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of $82,429 and unrealized revaluation increments of $27,725. The special reserve appropriated can be reversed to the extent that the net debit balance reverses. As of December 31, 2018 and 2017, the special reserve appropriated from the undistributed earnings amounted to $110,154 and $110,154, respectively.

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

3) Earnings distribution

Earnings distribution for 2017 and 2016 had been resolved at the general meeting of shareholders held on June 20, 2018 and June 16, 2017 respectively. The information of dividends distributions to shareholders were as follows:

	2017		2016	
	Amount per share (dollars)	**Amount**	**Amount per share (dollars)**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 4.50	**1,118,925**	3.80	**944,870**

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

	Exchange differences on translation of foreign financial statements	**Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income**	**Investments in available-for-sale financial assets**	**Total**
Balance on January 1, 2018	$ (99,734)	-	122,165	22,431
Effects of retrospective application	-	122,167	(122,165)	2
Balance on January 1, 2018 after adjustments	(99,734)	122,167	-	22,433
Share of exchange differences of subsidiaries and associates accounted for using equity method	43,034	-	-	43,034
Disposal of affiliated companies using the equity method reclassified to profit or loss	6	-	-	6
Unrealized gains and losses on financial assets measured at fair value through other comprehensive income	-	1,520	-	1,520
Disposal of investments in equity instruments at fair value through other comprehensive income	-	(20)	-	(20)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	(20,152)	-	(20,152)
Balance on December 31, 2018	**$ (56,694)**	**103,515**	**-**	**46,821**

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Investments in available-for-sale financial assets	Total
Balance on January 1, 2017	$ (2,362)	-	287,450	285,088
Share of exchange differences of subsidiaries and associates accounted for using equity method	(97,372)	-	-	(97,372)
Unrealized gains (losses) on available-for-sale financial assets	-	-	(23,600)	(23,600)
Unrealized gains (losses) on available-for-sale financial assets of subsidiaries accounted for using equity method	-	-	(141,685)	(141,685)
Balance on December 31, 2017	**$ (99,734)**	**-**	**122,165**	**22,431**

(p) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

	For the years ended December 31	
	2018	**2017**
Basic earnings per share		
Profit attributable to ordinary shareholders	**$ 1,461,381**	**1,344,731**
Weighted-average number of ordinary shares	248,650	248,650
	$ 5.88	**5.41**
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	**$ 1,461,381**	**1,344,731**
Weighted-average number of ordinary shares	248,650	248,650
Employee stock bonus	373	337
Weighted-average number of ordinary shares (diluted)	**249,023**	**248,987**
	$ 5.87	**5.40**

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(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2018			
	Oncology Business Unit	**Health Care Unit**	**Anti-Infection Business Unit**	**Total**
Primary geographical markets:				
Taiwan	$ 1,947,082	207,219	707,112	2,861,413
European countries	450,794	-	-	450,794
Other countries	215,162	27,674	577	243,413
	$ 2,613,038	234,893	707,689	3,555,620
Major products/services lines				
Medicine and health food	$ 2,458,362	234,893	707,689	3,400,944
Services	67,042	-	-	67,042
Royalty	87,634	-	-	87,634
	$ 2,613,038	234,893	707,689	3,555,620

For details on revenue for the year ended December 31, 2017, please refer to Note 6(r).

(ii) Contract balances

	December 31, 2018	**January 1, 2018**
Contract liability balances	$ 5,337	21,552

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

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balances at the beginning of the period was $20,292.

(r) Revenue

The details of revenue of the year ended December 31, 2017 was as follow:

	For the year ended December 31,2017
Sale of goods	$ 3,545,283
Rendering of service	14,545
License	112,212
	$ 3,672,040

For details of revenue for the year ended December 31, 2018, please refer to Note 6(q).

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(s) Remuneration of employees and of directors and supervisors

Based on the Company's articles of incorporation, remuneration of employees and of directors and supervisors is appropriated at the rate of 0.5% to 10% and no more than 2%, respectively, of profit before tax. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the years ended December 31, 2018 and 2017, remuneration of employees were $23,893 and $24,040, respectively and directors' and supervisors' remuneration amounted to $14,950 and $14,950, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period. These remunerations were recognized under operating costs or operating expenses during 2018 and 2017. If there's any difference between the amount resolved at the Board of Directors meeting and the estimated amount, the Company will treat the difference as changes in accounting estimates and charged to profit or loss.

(t) Non-operating income and expenses

(i) Other income

The details of other income for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Interest revenue	$ 2,406	3,408
Rental revenue	14,239	16,650
	$ 16,645	**20,058**

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Foreign exchange gains (losses)	$ 4,829	(29,121)
Losses on disposal of property, plant and equipment	(1,100)	(1,938)
Gain on disposal of investment	495,569	222,174
Gain on reversal of allowance of doubtful accounts	-	5,000
Others	28,684	29,531
	$ 527,982	**225,646**

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TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(iii) Finance costs

The details of finance costs for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	2017
Interest expenses	$ 17,202	25,191

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum credit exposure. Such maximum credit exposure on December 31, 2018 and 2017, amounted to $1,620,792 and $1,946,113, respectively.

2) Concentrations of credit risk

In order to lower the credit risk on accounts receivable, the Company continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for doubtful accounts". Bad debt losses are always within the administrative personnel's expectations. As of December 31, 2018 and 2017, the accounts receivable from the Company's top ten customers represented 26% and 38%, respectively, of accounts receivable.

3) Credit risk of receivables

For credit risk exposure of note and accounts receivables, please refer to Note 6(d).

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

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2018					
Non-derivative financial liabilities					
Unsecured bank loans	$ 1,500,000	1,507,059	1,155,290	351,769	-
Non-interest-bearing liabilities (including related parties)	555,329	555,329	555,329	-	-
Guarantee deposit received	3,119	3,119	3,119	-	-
	$ 2,058,448	2,065,507	1,713,738	351,769	-

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	Carrying amount	Contractual cash flows	Within 1 year	2-3 years	4-5 years
December 31, 2017					
Unsecured bank loans	$ 2,200,000	2,211,658	1,959,046	252,612	-
Non-interest-bearing liabilities (including related parties)	527,682	527,682	527,682	-	-
Guarantee deposit received	10,759	10,759	10,759	-	-
	$ 2,738,441	2,750,099	2,497,487	252,612	-

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's exposure to significant currency risk was from its foreign currency-denominated financial assets and liabilities as follows:

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 12,865	30.72	395,151	29,887	29.76	889,450
RMB	4,151	4.47	18,562	4,438	4.57	20,257
JPY	62,702	0.28	17,444	59,592	0.26	15,744
EUR	778	35.20	27,372	2,621	35.57	93,223
Nonmonetary items						
USD	47,280	30.72	1,452,218	47,304	29.76	1,407,763
RMB	52,386	4.47	234,272	51,156	4.57	233,526
THB	240,499	0.95	229,244	240,536	0.92	221,293

2) Sensitivity analysis

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

A 1% of appreciation of each major foreign currency against the Company's functional currency as of December 31, 2018 and 2017, would have increased or decreased the after-tax net income by $3,668 and $8,455, respectively. The analysis is performed on the same basis for both periods.

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3) Gains or losses on monetary item

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2018 and 2017, the foreign exchange gain, including both realized and unrealized, amounted to $4,829 and $(29,121), respectively.

(iv) Interest rate analysis

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

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

The following sensitivity analysis is based on the exposure to interest rate risk on derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management reported that increases/decreases in interest rates of 0.25% are considered by management to be a reasonably possible change in interest rate.

If the interest rate had increased/decreased by 0.25%, the Company's after-tax net income would have increased/decreased by $1,322 and $2,142 for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remained constant.

(v) Fair value of financial instruments

Eccept for the financial assets measured at fair value through other comprehensive income (available for sale financial assets) is measured on a recurring basis, the carrying amount and fair value of the Company's other financial assets and liabilities were as follows:

1) Categories and fair value of financial instruments

	December 31, 2018				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Shares of listed company at over-the-counter market	$ 48,720	48,720	-	-	48,720
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 505,615	-	-	-	-
Notes and accounts receivable (including related parties)	788,403	-	-	-	-
Other receivables (including related parties)	81,401	-	-	-	-
Other financial asset	160,974	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	22,322	-	-	-	-
	1,572,072	-	-	-	-
Total	**$ 1,620,792**	**48,720**	**-**	**-**	**48,720**

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	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans	$ 1,500,000	-	-	-	-
Notes and accounts payable (including related parties)	142,337	-	-	-	-
Other payables (including related parties)	412,992	-	-	-	-
Guarantee deposit received	3,119	-	-	-	-
Total	**$ 2,058,448**	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	$ 47,200	47,200	-	-	47,200
Loans and receivables					
Cash and cash equivalents	759,043	-	-	-	-
Notes and accounts receivable (including related parties)	903,266	-	-	-	-
Other receivables (including related parties)	82,383	-	-	-	-
Other financial assets	124,007	-	-	-	-
Cash termination value of life insurance	7,275	-	-	-	-
Refundable deposits paid	22,939	-	-	-	-
Total	**$ 1,946,113**	**47,200**	-	-	**47,200**
Financial liabilities measured at amortized cost					
Bank loans	$ 2,200,000	-	-	-	-
Notes and accounts payable (including related parties)	95,437	-	-	-	-
Other payables (including related parties)	432,245	-	-	-	-
Guarantee deposit received	10,759	-	-	-	-
Total	**$ 2,738,441**	-	-	-	-

2) Fair value hierarchy

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

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(Continued)

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

The expiry date of financial instruments, such as cash and cash equivalents, receivables, other financial assets, cash surrender value of life insurance, refundable deposits, bank loans, payables, and guarantee deposit received, is very close or their future price is close to carrying value. Financial instruments' fair value is estimated on the basis of their carrying value.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices.

The market prices from the main exchanges and government bond exchanges are the basis of the fair value of Taipei Exchange equity instruments and debt instruments which have a quoted market price in an active market.

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

If financial instruments the Company obtained are traded in active markets and meet the criteria, their fair value is determined on the basis of market quotation.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2018 and 2017, so there was no transfer between levels.

(v) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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For more disclosures about the quantitative effects of risks mentioned above, please refer to the respective notes in the financial statements.

(ii) Structure of risk management

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

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts and other receivables

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the finance department.

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

2) Investment

The exposure to credit risk related to bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. As the Company deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, management believes that the Company does not have compliance issues or significant credit risk.

3) Guarantees

The Company did not provide any endorsement or guarantee as of December 31, 2018 and 2017.

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(iv) Liquidity risk

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

(v) Market risk

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

(w) Capital management

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

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

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

The Company monitors capital by regularly reviewing the asset-to-liability ratio. "Total equity" on the balance sheet represents the Company's capital, which also represents total assets less total liabilities.

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

	December 31, 2018	December 31, 2017
Total liabilities	$ 2,564,718	3,269,903
Less: cash and cash equivalents	(505,615)	(759,043)
Net debt	2,059,103	2,510,860
Total capital	5,804,033	5,496,776
Adjusted capital	$ **7,863,136**	**8,007,636**
Debt to equity ratio	**26.19 %**	**31.36 %**

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(7) Related-party transactions:

(a) Ultimate parent company

The Company is the ultimate parent company.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
TSH Biopharm Co., Ltd.	A Subsidiary
Xudong Haipu International Co., Ltd.	A Subsidiary
Worldco International Co., Ltd.	A Subsidiary
American Taiwan Biopharma Phils Inc.	A Subsidiary
EnhanX Inc.	A Subsidiary (Note)
American Taiwan Biopharm (Thailand)	An associate
Chuang Yi Biotech Co., Ltd.	An associate

Note: In August 2017, the Company and 2-BBB Medicines BV, registered in Netherlands, established EnhanX Inc., the Company holds more than one half of its directors' position, so EnhanX Inc. became a subsidiary of the Company.

(c) Significant transactions with related parties

(i) Operating revenue

	For the years ended December 31, 2018	2017
Subsidiaries	$ 114,089	118,074
Associates	62,145	64,257
	$ 176,234	**182,331**

1) Prices charged for sales transactions with offshore subsidiaries and associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.

2) Prices charged for sales transactions with domestic subsidiaries were based on market quotation. The average credit term for notes and accounts receivable pertaining to such sales transactions was 1-3 months.

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(ii) Service revenue

Recognized item	Category	December 31, 2018	December 31, 2017
Service revenue	Subsidiaries	$ 102	2,516

The transaction terms were discussed and agreed by both sides, and revenue was collected by the stage of completion of the contract.

(iii) Royalty revenue

Recognized item	Category	December 31, 2018	December 31, 2017
License revenue	Subsidiaries-Worldco International Co., Ltd.	$ 74,786	39,200

(iv) Purchase of goods

Recognized item	Category	December 31, 2018	December 31, 2017
Purchases	Subsidiaries	$ 7,856	8,388

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions was sixty days or one month, which is similar to that of other vendors.

(v) Rental revenue

		For the years ended December 31	
Recognized item	Category	2018	2017
Rental revenue	Subsidiaries-TSH Biopharm Co., Ltd.	$ 4,167	4,167
	Subsidiaries	180	60
	Associates-Chuang Yi Biotech Co., Ltd.	3,137	3,137
		$ 7,484	7,364

Rent was based on recent market transactions on arm's-length terms.

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(vi) Other income

Recognized item	Category	For the years ended December 31 2018	2017
Other income	Subsidiaries-TSH Biopharm Co., Ltd.	$ 5,393	6,388
	Subsidiaries	361	67
	Associates-American Taiwan Biopharm (Thailand)	11,765	13,242
	Associates	101	329
		$ 17,620	20,026

1) The revenue from subsidiaries included warehouse fees, technology service fees, commissioned research expense and bookkeeping fees. Warehouse fees are determined by industry rates, and the payment is received within 60 days after the invoice date. The Company uses cost-plus pricing for technology service fees and commissioned research expense, and the payment is received within 60 days after the invoice date. For the bookkeeping fees, the credit term is 3 months.

2) Based on management services agreements, the associates should pay the Company for development in the pharmaceutical industry or registration of pharmaceutical products. The credit term for revenue from development in the pharmaceutical industry or registration of pharmaceutical products is three months. For the bookkeeping fees, the credit term is 3 months.

(d) Assets and liabilities with related parties

Recognized item	Category	December 31, 2018	December 31, 2017
Accounts receivable	Subsidiaries	$ 15,947	43,668
	Associates	16,156	8,973
		$ 32,103	52,641
Other receivables	Subsidiaries-American Taiwan Biopharma Phils Inc.	$ 9,757	8,444
	Subsidiaries	1,874	6,392
	Associates-American Taiwan Biopharm (Thailand)	12,241	7,868
	Associates	315	315
		$ 24,187	23,019
Contract liabilities-current	Subsidiaries-EnhanX Inc.	$ 921	-

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Recognized item	Category	December 31, 2018	December 31, 2017
Guarantee deposit received	Subsidiaries-TSH Biopharm Co., Ltd.	$ 693	693
	Subsidiaries	30	30
	Associates-Chuang Yi Biotech Co., Ltd.	522	522
		$ 1,245	**1,245**

Analysis of expected credit loss of accounts receivables; please refer to Note 6(d).

(e) Key management personnel compensation

	For the years ended December 31 2018	2017
Salaries and other short-term employee benefits	$ 75,504	65,274
Post-employment benefits	652	645
	$ 76,156	**65,919**

(8) Pledged assets:

As of December 31, 2018 and 2017, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2018	December 31, 2017
Other financial asset-non-current	Guarantee for provision attachment	**$ 139,380**	**120,010**

(9) Commitments and contingencies:

(a) The Company signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Company obtained an exclusive license to produce and sell Liposome product in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to $43,293 and $41,352 for the years ended December 31, 2018 and 2017, respectively.

(b) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to $284,208 and $279,077, and the unpaid amount was $48,335 and $56,803 as of December 31, 2018 and 2017, respectively.

(c) As of December 31, 2018 and 2017, performance bonds from financial institutions for the sale of medicine amounted to $49,679 and $57,189, respectively.

(d) In June 2015, the Taipei District Prosecutors Office filed a charge against the ex-chairman of the Company, Rong Jin 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, the ex-chairman was found guilty for violating the Securities and Exchange Act. Currently, the case has been appealed and moved to the second instance at the Taiwan High Court. The relevant incidental civil action was later transferred to the civil court for further trial as a different case in September 6, 2017. Further on April 23, 2018, the Taipei District Prosecutors Office requested the

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Taiwan High Court to hear the case of ex-chairman Rong-Jin Lin’s offense of the Securities and Exchange Act because of the dispute of contract relevant with Risperidone entered into by and between the Company and Center Laboratories, Inc. together with the aforementioned case in a consolidated procedure. As of June 29, 2018, the Group supplemented and raised the amount of its damage claim against the ex-chairman in the incidental civil action of the second appeal.

(e) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

(f) 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 royalties belong to the Company or Inopha. The case was suspended.

(g) With regard to the dispute of Risperidone Contract it entered into with the Company, Center Laboratories, Inc. initiated an action for a declaratory judgment confirming the contractual relation against the Company in Taipei District Court on July 1, 2016. Taipei District Court rendered the judgment on March 1, 2018, confirming the contractual relation valid. The Company is not satisfied with the judgment which did not consider the facts and evidence comprehensively and the Company has appealed the case to the second instance to fight for its rights and the case has been moved to the Taiwan High Court.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

(a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

By item	For the years ended December 31,					
	2018			2017		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 206,134	435,843	641,977	211,569	397,445	609,014
Health and labor insurance	16,362	29,431	45,793	16,607	27,225	43,832
Pension	8,666	16,292	24,958	8,688	15,171	23,859
Director's remuneration	-	32,206	32,206	-	22,240	22,240
Others	14,239	45,437	59,676	12,203	52,343	64,546
Depreciation	100,343	23,145	123,488	103,482	25,779	129,261
Amortization	322	5,468	5,790	347	5,100	5,447

The Company had total employees of 530 and 520 in 2018 and 2017, respectively. And there were both 8 directors who were not hired as employee of the Company in 2018 and 2017.

(b) The Company donated $43,531 and $40,520 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2018 and 2017, respectively.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	52,216 USD 1,700	52,216 USD 1,700	52,216 USD 1,700	0.5%	2	-	Operating capital	-	-	-	234,270 CNY 52,386	234,270 CNY52,386
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	76,788 USD 2,500	76,788 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	93,706 CNY 20,954	93,706 CNY 20,954
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	522,155 USD 17,000	522,155 USD 17,000	-	0.9%	2	-	Operating capital	-		-	569,088 USD 18,528	569,088 USD 18,528

The exchange rate of USD to NTD as of the reporting date is 1:30.715, and the average exchange rate of USD to NTD as of the reporting period is 1:30.109.

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The exchange rate of CNY to NTD as of the reporting date is 1:4.472, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.553.

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

1.Trading partner, the number is “1”.

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

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

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company’s net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of December 31, 2018.

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

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

(ii) Guarantees and endorsements for other parties: None

(Continued)

TTY BIOPHARM COMPANY LIMITED

Notes to the Financial Statements

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

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	Lumosa Therapeutics Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income–non-current	1,600	48,720	1.37 %	48,720	-

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares	Amount	Shares (thousands)	Price (Note1)	Cost	Gain (loss) on disposal	Shares (thousands)	Amount (Note2)
The Company	PharmaEngine, Inc.	Investment accounted for using equity method	-	-	26,809	712,642	-	-	3,942	562,183	103,199	495,569	22,867	573,462

Note 1: Disposal price was deducted by related trading tax and commission fees.

Note 2: The amount includes gain or losses recognized in current period and changes in other equity.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSH Biopharm Co., Ltd.	Subsidiary	Sale	107,589	3.03 %	30 days	Normal		13,663	1.73%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,411,196	2,504	2,504	Subsidiary
〃	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	234,272	5,585	5,585	Subsidiary
〃	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(4,148)	107	93	Subsidiary
〃	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	631,435	57,784	32,772	Subsidiary
〃	EnhanX Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	41,748	(34,462)	(10,144)	Subsidiary
〃	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	299,098	350,659	22,867	15.52 %	573,462	129,362	20,504	Investments accounted for using equity method
〃	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	229,244	45,077	18,031	Investments accounted for using equity method
〃	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	41,022	37,964	15,186	Investments accounted for using equity method

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2018	Original investment amount December 31, 2017	Balance as of December 31, 2018 Shares (thousands)	Balance as of December 31, 2018 Percentage of ownership	Balance as of December 31, 2018 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	82,059	6,326	27.54 %	58,091	(2,885)	(795)	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhanX Inc.	Taiwan	Developing chemical medicine	70,000	-	7,000	29.17 %	58,464	(34,462)	36	Subsidiary
〃	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	-	318	100.00 %	41,587	(2,081)	(2,081)	Subsidiary
〃	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	-	8,750	50.00 %	12,809	(2,418)	(1,209)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	-	8,750	50.00 %	12,809	(2,418)	(1,209)	Subsidiary

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

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, 2018	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
Worldco Biotech Pharmaceutical Ltd.	Marketing consulting regarding chemical medicine	313,293 USD 10,200	(2)	323,433	-	-	323,433	(3,397) CNY (746)	100 %	(3,397) CNY (746)	(69,557) CNY (15,554)	-
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling chemical medicine	53,217 CNY 11,900	(2)	90,021 CNY 20,130	-	-	90,021 CNY 20,130	(319) CNY (70)	100 %	(319) CNY (70)	48,852 CNY 10,924	-

The exchange rate of USD to NTD as of the reporting date is 1:30.715, and the average exchange rate of USD to NTD as of the reporting period is 1:30.109.

(Continued)

TTY BIOPHARM COMPANY LIMITED
Notes to the Financial Statements

The exchange rate of CNY to NTD as of the reporting date is 1:4.472, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.554.

Note 1): There are four ways to invest in Mainland China, and only the categories are identified.
1.Remittance from third-region companies to invest in Mainland China.
2.Through the establishment of third-region companies, then investing in Mainland China.
3.Through transfer of investment to third-region existing companies, then investing in Mainland China.
4.Other method.

Note 2): The investment income (loss) was audited by the parent company's auditors in Taiwan.

Note 3): The amounts are presented in New Taiwan Dollars. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 423,982	NTD 1,435,251 （USD 46,728 ）	NTD 3,482,420

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial report for the years ended December 31, 2018 and 2017.

VII. Financial Analysis

1. Financial Analysis

Unit: NT$ Thousand

Item \ Year	2017	2018	Difference	
			Amount	%
Current assets	4,996,590	4,654,601	(341,989)	(6.84)
Fixed assets	2,548,006	2,474,331	(73,675)	(2.89)
Other assets	228,438	252,957	24,519	10.73
Total assets	9,507,067	9,053,135	(453,932)	(4.77)
Current liabilities	2,782,898	1,971,883	(811,015)	(29.14)
Long-term liabilities	612,532	689,627	77,095	12.59
Total liability	3,395,430	2,661,510	(733,920)	(21.61)
Capital stock	2,486,500	2,486,500	—	—
Additional paid-in capital	396,113	348,819	(47,294)	(11.94)
Retained earnings	2,591,732	2,921,893	330,161	12.74
Total shareholder's equity	6,111,637	5,804,033	(307,604)	(5.03)

(1) Main Reasons for Critical Change:

① The decrease in current assets and current liabilities and the increase in long-term liabilities: mainly due to the cash generated from operations in 2018 and the long-term borrowings to repay the borrowings due within one year.

② The increase in other assets was mainly due to the expansion of production capacity in response to future sales demand and the increase in prepaid equipment.

③ The decrease in capital reserve was mainly due to the transfer of stocks from the investment company in 2018.

④ Increase in retained earnings in mainly due to increase in profits.

(2) Impact from Critical Change and Future Responding Plan: None

2. Financial Results Analysis

Unit: NT$ Thousand

Item \ Year	2017	2018	Increase (Decrease) Amount	Changes (%)
Net operating income	4,078,760	4,036,196	(42,564)	(1.04)
Operating cost	1,407,701	1,372,317	(35,384)	(2.51)
Add:Realized sales profit or loss	4,132	6,346	2,214	53.58
Less:Unrealized sales profit or loss	6,346	7,046	700	11.03
Gross profit	2,668,845	2,663,179	(5,666)	(0.21)
Operating expense	1,411,855	1,603,502	191,647	13.57
Operating net income	1,256,990	1,059,677	(197,313)	(15.70)
Non-Operating income and expense	338,077	608,391	270,314	79.96
Income from continuing operations before income taxes	1,595,067	1,668,068	73,001	4.58
Income tax expense	226,753	205,769	(20,984)	(9.25)
Net income from continuing operations	1,368,314	1,462,299	93,985	6.87
Cumulative Effect of Changes in Accounting Principle	–	–	–	–
Net income for division	–	–	–	–
Net income	1,368,314	1,462,299	93,985	6.87

(1) Main Reasons for Critical Changes:

① Increase in operating expenses and decrease in operating profit: In order to actively expand business and develop new products, sales expenses and R&D expenses increased, resulting in a decrease in operating profit for the period.

② Increase in Non-Operating income: due to the transfer of stocks from the investment company in 2018.

③ Reduction of income tax expenses: the income tax expenses are reduced mainly due to the temporary difference in the 2018 reversal.

(2) Expected Sales Volume and Expectation Basis:

For 2019, the Company expects to sell oral preparation of 347 milllion tablets and 5.5 million vials. The Company expected sales volumes based on IQVIA statistic report as well as under considerations of possible future demand/supply change in market, new product development speed and national health insurance policy.

(3) Potential Impact to The Company’s Future Finance & Business and Responding Plan:

The Company’s current operation presents stable profitability. This shall have positive influence on future finance and business, and shall benefit Company’s operation scale up and implementation of continuous internationalization.

3. Cash Flow Analysis

Unit: NT$ Thousand

Cash Balance -Beginning	Annual Net Cash Flow from Operating Activities	Annual Cash Outflow	Cash Balance - Ending	Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Investment Plan
1,441,374	1,073,798	142,878	2,372,294	—	—

(1) Analysis of Cash Flows in the Most Recent Year:

① Operational activities: Net inflow of NT$ 1,073,798 thousand is mainly due to NT$1,462,299 thousand net profit generated in current period.

② Investment activities: Net inflow of NT$1,696,399 thousands mainly results from decrease of NT$1,370,220 thousands for time deposit for more than 3 months.

③ Financial activities: Net outflow of NT$1,861,658 thousand is mainly due to 2017 cash dividend distribution of NT$1,118,925 thousand and borrowing repayments of NT$ 700,000thousand.

(2) Improvement Plan for Insufficient Liquidity: Not Applicable.

(3) Cash Liquidity Analysis within the Year：

Unit: NT$ Thousand

Cash Balance -Beginning	Estimated Annual Net Cash Flow from Operating Activities	Estimated Annual Cash Outflow	Estimated Cash Balance - Ending	Estimated Contingency Plans for Predicted Insufficient Cash	
				Investment Plan	Investment Plan
2,372,294	1,070,875	1,129,107	2,314,062	—	—

① Expected Whole-Year Net Cash Flow from Operating Activities: NT$1,070.875 million which is mainly due to profit generated from expected operating revenue growth for 2019. As such, operating activity net cash inflow is a positive figure.

② Expected Whole-Year Cash Outflow: NT$ 1,129.107 million which is mainly due to cash dividend distribution, increase in real property as well as purchase of plant and equipment

4. Influence on Financial Condition Caused By Prominent Capital Expenditures in the Most Recent Year

Unit: NT$ Thousand

Capex	Actual and estimated source of capital	Actual or estimated date of completion	Total fund needed	Actual or estimated use of capital	
				2018	2019
Microsphere facility in Liudu Plant	The Company's Own Capital and Bank Loan	2019	29,849	19,667	10,182

The Company's profitability is stable and the capital required above has no significant impact on the Company's finance and business.

5. Investment Policy in Fiscal Year 2018, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment Plan:

(1)Reinvestment Policy in the Most Recent Year:

① Strategic alliance for new drug R&D such as: Pharmaengine Inc, EnhanX Inc.

② Strategic Alliance for Access to New Market Channel such as: establishment of TTY Biopharm Korea Co., Ltd.(Korea channel) and TTY Biopharm Mexico S.A. de C.V.(Mexico channel)

③ Expand strategic alliances with existing overseas channels such as: American Taiwan Biopharm Co., Ltd.(Thailand channel)及 American Taiwan Biopharma Philippines Inc.(Philippines channel)

(2)Major Reasons for Profit and Loss and Its Improvement Plan:

① With respect to current investments in new drug developments, the new anti-pancreatic cancer drug PEP02 developed by PharmaEngine was successfully licensed in 2011. In 2018, a licensing fee of US$6.633 million was recognized under the licensing contract. After tax net profit for 2018 of PharmaEngine is NT$129,362 thousands and the company has recognized investment income for NT$20,504 thousands accordingly. Products from EnhanX Inc. are still the initial stage of development. Net loss for 2018 is NT$34,462 thousands. The company has recognized investment loss of NT$10,114 thousands.

② In terms of re-investment, TTY Biopharm Korea Co., Ltd. and TTY Biopharm Mexico S.A. de C.V. were all channel strategic alliance of the new market in their early stages of establishment. The net loss after tax in 2018 was NT$2,081 thousands and NT$2,418 thousands respectively.

③ With respect to overseas channel strategic alliance, American Taiwan Biopharm Co., Ltd. is in a profitable status. For American Taiwan Biopharma Philippines Inc., product items distributed need to be expanded and it is expected to be profitable once sales has reached economies of scale.

(3)Next Year's Investment Plan:

Result of the final judgment is not expected to have significant impact to shareholder's rights or securities price of the Company.

6. Risk Management and Evaluation

(1)The Impact of Interest Rate, Foreign Exchange Rate, and Inflation on the Company's Profit/Loss and Future Responsive Measures:

① The impact of change in interest rates on the Company's profit or loss:

2018

Item	Interest Income (Expenditure)	Exchange Profit (Loss)
Net Amount	14,824 thousand	12,635 thousand
Percentage of Net Revenue	0.37%	0.31%
Percentage of Pre-tax Net Profit	0.89%	0.76%

② The responsive measures:

(i) Interest rate: After reviewing the Company and its subsidiary's mid-long term development and financial plan, the Company considers to raise mid-long term loan from financial institution to meet with mid-long term capital demands. As for short term operating capital, it will be met through short term loan in order to lower capital cost incurred.

(ii) Foreign exchange rate: Given the Company and its subsidiary's purchase of raw material, product and equipment mainly settled by NTD or USD t while most of our export payments are collected in USD, the Company applies pre-purchase or pre-sell foreign exchange hedge position to meet with annual net foreign exchange demand and to evade foreign exchange rate risk. Exchange loss for 2018 accounts for 0.31% of sales revenue of that year. Impacted position is low.

(iii) Inflation: Inflation does not pose significant impact on the Company's profit or loss.

(2)High Risks, High Leverage Investments, Loaning Of Funds, Endorsement and Guarantee, and Derivatives Trade Policy, Major Reasons for Profit/Loss, and Future Responsive Measures:

The Company is not engaged in high risk or highly leveraged investments. Various investments have all been through cautious assessment before being implemented in accordance with the Company's regulations. With respect to lending capital to others and endorsement or guarantee, these are limited to re-invested companies and they are implemented in accordance with the Company's guidelines for lending capital to others as well as guidelines for endorsement or guarantee. Furthermore, operation of derivative financial products is for the purpose of hedging. All operations have been through cautious consideration of risk condition and are implemented in accordance with the Company's regulations. As such, their impact to the Company is literally minor.

(3)Future Research and Development Plans and Estimated Research and Development Expenses Required:

The Company's R&D expense for 2019 is expected to reach NT$299,157 thousand. Main R&D directions are developments for special dosage drug (with patentable or high entry barrier features), biologics and new drug as well as acquisition of permits for new indications.

(4)The Impact of Material Changes of Local and Foreign Government Policies and Regulations on the Company's Finance and Business, And the Responsive Measures:

Since the implementation of "Global Budget System" in July 2001, drug prices have been through numerous adjustments. Drug price and quantity from domestic drug companies have been under control through the Global Budget System. This has impacted price and sales of some drugs and has suppressed drug company's revenue and profit.

The responsive measures:

In addition to establishing a complete sales network across Taiwan for the purpose to provide real time service to hospital and clinic and increase the width of sales, the Company also enhances resource utilization effectiveness and focuses on drugs with a certain market scale and value for quality improvement, and strengthens patient nursing through collaboration with medical experts, and continues to enhance hospital, clinic and doctor's confidence on drugs for the purpose of boosting opportunity to utilize prescriptions of original drug. Additionally, the Company introduces new drug for post-clinical target treatment field through licensing, and complies with pioneering nation's certification timeline in order to shorten time needed for domestic certification, and works with preeminent marketing team and resources in order to create the best product revenue and avoid circumstances of the Company's lowered profitability from the implementation of new drug price system.

(5) The Impact of Technology Changes and Industrial Changes on the Company's Finance and Business, and the Responsive Measures:

Against the backdrop of long drug development timeline, high R&D expense and low successful rate, technology and industry changes in short term will not generate immediate and critical impact to the Company's finance and business. Nevertheless, the Company is still learning new technology aggressively and is engaged in new drug development for the purpose of responding to changes of technology and industry.

(6) The Impact of Corporate Image Change on The Corporate Crisis Management, and The Responsive Measures：

The company actively strengthens and implements corporate governance, fulfills social responsibilities, establishes a good corporate image, and strives to improve its internal control system and capital structure in response to various potential corporate crises.

(7) The Expected Benefits, Possible Risk, and the Responsive Measures of Merge & Acquisition: None.

(8) The Expected Benefits, Possible Risk and the Responsive Measures of Factory Expansion:

Factory expansion will enable the Company to enhance production capability. In addition to its own products, the Company is also capable of contract manufacturing other drug company's products and, as a result, increasing its revenue.

Capital expenditure for factory expansion has been through the Company's rigorous plan and, as such, there is no operation risk incurred to the Company.

(9) Risks and the Responsive Measures of Sales and Purchases Centralization:

For 2018 there were only two suppliers which each accounted for over 10% of the total purchasing amount in the Company in 2018, and the aforementioned suppliers together accounted for only 23.35% of the total purchasing amount of the Company. The aforementioned firms are well-known international firms in the world, and the possibility of risk is very low. In addition, the sales amount of the Company's single customer in 2018 is less than 10% of the total net sales of the Company in the entire year, and there is no risk of concentration of sales of goods.

(10) The Impact, Risk and the Responsive Measures of Significant Equity Transfer and Conversion of the Directors, Supervisors, or Major Shareholders with Over 10% Shareholding on the Company:

For the latest year and as of the publication date of annual report, there are no circumstances of large amount equity transfer or change by the Company's directors.

(11) The Impact, Risk and the Responsive Measures of Changes in Operation Right:

For the latest year and as of the publication date of annual report, there are no circumstances of changes in the Company's management right and therefore this is not applicable.

(12) For The Litigation or Non-Litigation Events, Shall Illustrate the Legal Judgment or the Material Lawsuit in Progress and Non-litigation or Administrative Lawsuit of the Company and Its Directors, Supervisors, President, the Actual Person in Charge, the Major Shareholders with More Than 10% Shareholding, and Subsidiaries; the Significant Impact of the Litigation Result on The Shareholder's Equity or the Price of Securities; Also, Shall Disclose the Fact of the Contest, the Subject Matter, the Amount, the Litigation Starting Date, the Parties, and the Process of the Event as of the Publication Date of the Annual Report:

① Lin Rongjin, the former chairman of the company, is involved in the case of aggravating the crime of breach of trust in the Securities Exchange Law. In June 2015, the Taiwan Taipei District Prosecutors Office initiated a public prosecution on the ground that former chairman Lin Rongjin had violated the Securities Exchange Law. The criminal lawsuit was convicted by Taiwan Taipei District Court on September 1, 2017 that former chairman Lin Rongjin had violated the Securities Exchange Law. The case has now been appealed to the Taiwan High Court for second instance trial procedure. And on April 23, 2018, the Taipei District Prosecutors Office appealed to Taiwan High Court for joint trial of aforementioned second instance trial for former chairman Lin Rongjin of Center Laboratories, Inc. (hereinafter referred to as "Center Lab"), signed the Risperidone Drug Appointment and Development Agreement with this company in violation of the Securities Exchange Law mentioned above. The part of the incidental civil action was transferred to the Civil Court of Taiwan Taipei District Court for trial on September 6, 2017. On February 13, 2018, the Company filed a civil claim for compensation for criminal incidental damages in the above-mentioned criminal case in the second instance. On June 29, 2018, the company appealed to the Taipei District Prosecutors Office on Risperidone Drug for joint trial, and then filed an additional claim for compensation with former chairman Lin Rongjin.

② On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.

③ On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha AG. The case was suspended.

④ The "Risperidone Drug Appointment and Development Agreement" signed by the Company and Center Laboratories, Inc., and latter filed a civil action to confirm the contractual relationship with the Taipei District Court on July 1, 2016, which existed in the first trial of the Taipei District Court on March 1, 2018. The company refuses to accept the ruling of Taipei District Court which has failed to consider the whole evidence. The company has appealed for the second instance for rights and interests and is now under proceedings by Taiwan High Court.

Result of the final judgment is not expected to have significant impact to shareholder's rights or securities price of the Company.

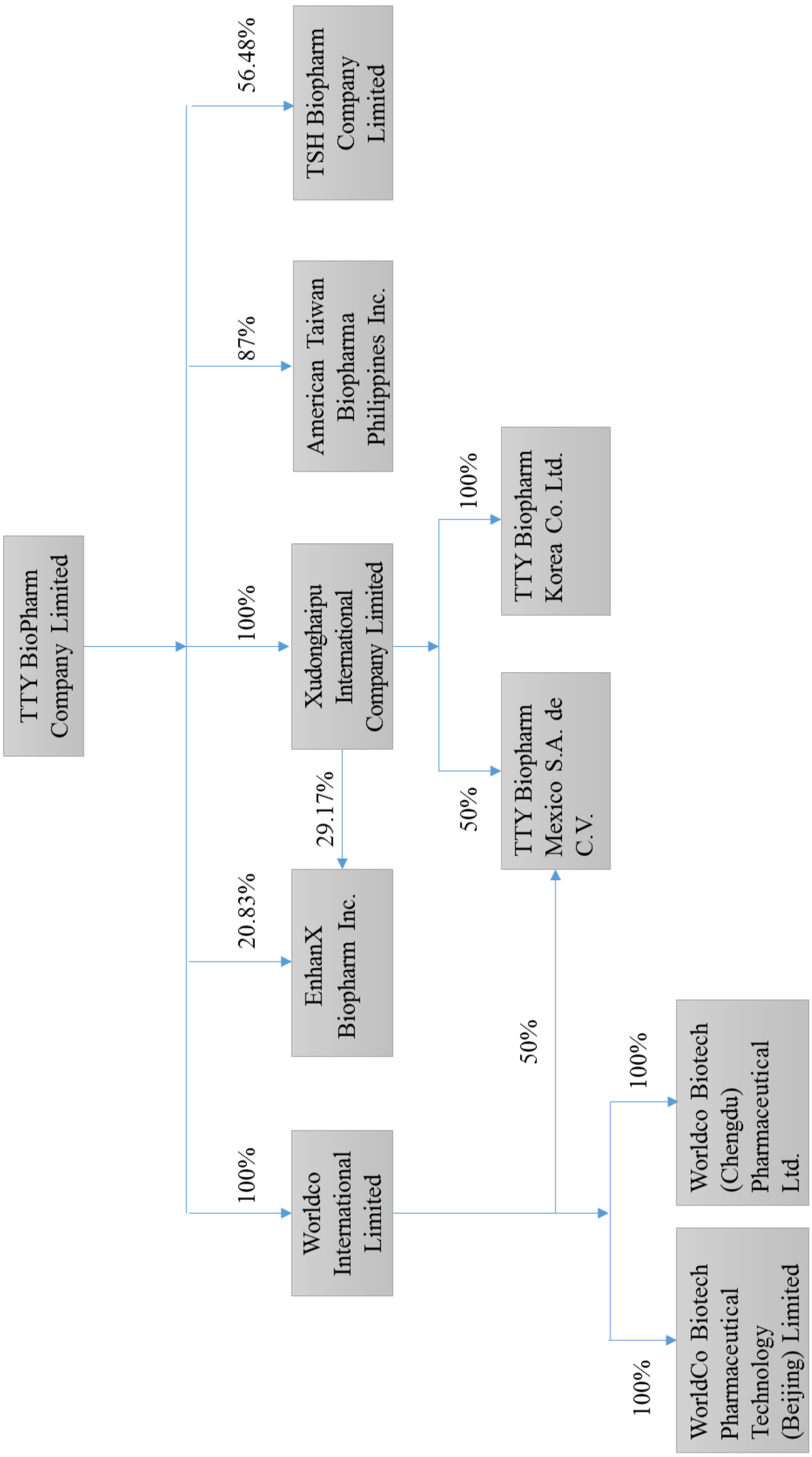
(13) Other Material Risks and the Responsive Measures: None

7. Other Important Matters: None

VIII. Special Notes

1. Subsidiaries

(1) Subsidiaries Chart (12/31/2018)



(2) Affiliates

Unit: NT$ Thousands as of Dec.31, 2018

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
Xudonghaipu International Company Limited	2009.04	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1 1002, Cayman Islands	NTD 250,000	Investment
Worldco International Limited	2004.09	Room 1606, Alliance Building, 133 Connaught Road Central, Hong, Kong	HKD 19,800	Investment, Drugs Marketing
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	2005.01	Room 904, No. 1, Zhuangxi Li, Bali, Chaoyang District, Beijing(Ocean Paradise Apartment)	USD 10,200	Drugs Marketing Consultant
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	2012.02	Room.3~4,7th Floor,Unit 2, Jinniu Civic Center Building 1, No. 999, Yipin Tianxia Dajie, Jinniu District, Chengdu City, Sichuan Province	RMB 11,900	Sales of Drugs
American Taiwan Biopharma Philippines Inc.	2003.08	Unit 2902 Antel Global Corporate Center, Doña Julia Vargas Ave., Ortigas Center, Pasig City, Pasig 1605	PHP 55,305	Sales of Drugs
TSH Biopharm Company Limited	2010.09	3F-1, No. 3-1, Yuanqu St., Nangang District, Taipei City	NTD 383,981	Sales of Drugs
EnhanX Biopharm Inc.	2017.08	3F., No.124, Xingshan Rd., Neihu Dist., Taipei City	NTD 120,000	Drugs R&D
TTY Biopharm Korea Co. Ltd.	2018.09	12th floor, Teheran-ro 146, Gangnam-gu, Seoul, Korea	KRW 1,588,500	Sales of Drugs
TTY Biopharm Mexico S.A. de C.V.	2018.09	Av. Insurgentes Sur No. 2453 No. Int Piso 6-Ofa 6082, Tizapan, C.P. 01090, Ciudad de México, Ciudad de México, México	MXN 17,500	Sales of Drugs

(3) Shareholders in Common of TTY and Its Subsidiaries with Deemed Control and Subordination： None

(4) List of Directors, Supervisors, and Presidents of Affiliatess

Unit: NT$ Thousand as of Dec.31, 2018

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
Xudonghaipu International Company Limited	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Chang, Hsiu-Chi	—	—
	Director	Wu, Hsueh-Liu	—	—
	Director	Tseng, Tien-Szu	—	—
American Taiwan Biopharma Philippines Inc.	Chairman	Jui-Hsiung Cheng	71,885	13.00%
	Director	Hsiao , Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Wu , Hsueh-Liu	—	—
	Director	Chang , Chih-Meng	—	—
Worldco International Limited	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Chang, Hsiu-Chi	—	—
	Director	Wu, Hsueh-Liu	—	—
	Director	Tseng, Tien-Szu	—	—
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	Director	Hsiao, Ying-Chun	—	—
	Supervisor	Wu, Hsueh-Liu	—	—
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	Chairman	Wu, Hsueh-Liu	—	—
	Director	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director	Chang, Hsiu-Chi	—	—
	Director	Wu, Min-Che	—	—

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
EnhanX Biopharm Inc.	Chairman	TTY BioPharm Company Limited Representative: Hu, Yu-Fang	5,000,000	20.83%
	Director	TTY BioPharm Company Limited Representative: Hsiao, Ying-Chun	5,000,000	20.83%
	Director	2-BBB Medicines B.V. Representative: Pieter Jaap Gaillard	12,000,000	50.00%
	Supervisor	Chang, Wen-Hwa	—	—
	Supervisor	Philip Jan Hartog	—	—
TSH Biopharm Company Limited	Chairman	TTY BioPharm Company Limited Representative: Chang , Chih-Meng	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Carl Hsiao (Note)	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Liu,Hsin-Yang	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Chiang, Chao-Yi	21,687,177	56.48%
	Independent Director	Wang,Chih-Li	1,030	0.00%
	Independent Director	Wang,I-Ming	—	—
	Independent Director	Chen, Jui-Hsun	—	—
	General Manager	Yang, Si-Yuan	—	—
TTY Biopharm Korea Co., Ltd.	Chairman	Hsiao, Ying-Chun	—	—
	Director	Chang, Wen-Hwa	—	—
	Director and General	Woosik Jung	—	—
	Supervisor	Shi, Jun-Liang	—	—
TTY Biopharm Mexico S.A. de C.V.	Chairman	Hsiao, Ying-Chun	—	—
	Director	Lin, Chuan	—	—
	Director	Chang , Kuo-Chiang	—	—
	Supervisor	Chang, Wen-Hwa	—	—

(5) Operational Highlights of Affiliatesies

Unit: NT$ Thousand as of Dec.31, 2018

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating profit or loss	Net Income (Loss)	EPS
Xudonghaipu International Company Limited	250,000	1,423,166	405	1,422,761	—	(20,635)	2,504	N/A
Worldco International Limited	92,834	240,783	6,511	234,272	133,879	(2,076)	5,585	N/A
WorldCo Biotech Pharmaceutical Technology(Beijing) Limited	313,293	25,951	95,508	(69,557)	—	(633)	(3,397)	N/A
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	53,217	74,117	25,265	48,852	—	(1,043)	(319)	N/A
American Taiwan Biopharma Philippines Inc.	31,917	19,453	21,793	(2,340)	20,027	558	107	N/A
TSH Biopharm Company Limited	383,981	1,220,321	99,440	1,120,881	515,646	61,964	57,784	1.50
EnhanX Biopharm Inc.	240,000	202,281	1,856	200,425	—	(43,088)	(34,462)	(1.44)
TTY Biopharm Korea Co., Ltd.	44,107	42,988	1,401	41,587	—	(2,089)	(2,081)	N/A
TTY Biopharm Mexico S.A. de C.V.	27,644	28,466	2,848	25,618	—	(2,455)	(2,418)	N/A

Foreign exchange rates are as follows:

Balance Sheet	Income Statement
$1RMB=$4.4720NT	$1RMB=$4.5540NT
$1PHP=$0.5771NT	$1PHP=$0.5656NT
$1USD=$30.7150NT	$1USD=$30.1094NT
$1KRW=$0.0275NT	$1KRW=$0.269NT
$1MXN=$1.6048NT	$1MXN=$1.5745NT

(6) Affiliates Consolidated Report

Affiliates Consolidated Financial Statements

The entities that are required to be included in the combined financial statements of TTY Biopharm Company Limited as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TTY Biopharm Company Limited and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: TTY BioPharm Company Limited

Chairman：Lin Chuan

March 26, 2019

2. The Status of Issuing Private Placement Securities in the Most Recent Year and as of the Publication Date of the Annual Report: None.

3. Acquisition or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year and as of the Publication Date of the Annual Report: None.

4. Other Necessary Supplementary Notes：

(1) The Company's Uncompleted OTC Commitment: None.

(2) Assessment Basis and Foundation over Recognition Method of the Company's Balance Sheet Appraisal Items

① Assessment over account receivable impairment:

Consider any change in the credit quality from origination date to reporting date to determine the probability of collection. Historicalexperience indicates that notes receivable which have more than 180 days past due or accounts receivable which are not yet overdue, only when there is sufficient evidence that indicates accounts receivable was dishonored and uncollectible. Thus, a 100% impairment loss is recognized in the allowance account. For those notes and accounts receivable which are past due within 180 days,divided into four category including OEM, overseas customer, hospital and others, an allowance account is recognized after analyzing the payment history of customer accounts and the evaluating the uncollectible amounts.

② Assessment on allowance for inventory market price decline loss and obsolete inventory:

<u>Loss from Market Price Decline</u>:

Product:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then applied for evaluations based on product categories.
Finished Goods:	Net realizable value is drawn from deducting marketing expense from estimated sales price. Individual Item Approach is then applied for evaluations based on product categories.
Work in Progress & Half-Finished Goods:	Net realizable value is drawn from deducting marketing expense and replacementcost from estimated sales price. Individual Item Approach is then applied for evaluations based on product categories.
Raw Materials:	For finished product price decline, replacement cost will be applied to assess if price decline is incurred accordingly.

<u>Loss for Obsolete Inventories</u>:

Obsolete or Expired: 100% Recognition

Unused for over 1 year: 100% Recognition

Expired: 100% Recognition

Expired within half year: 50% Recognition

③ Evaluation of Other Financial Assets:

With respect to financial asset estimated cash flow reduction resulted from single or multiple events occurred after financial asset original recognition, such differencewill be deemed as impairment amount incurred to that financial asset.

With respect to fair value evaluation, basis for evaluation is determined depending on if there is an active market transaction for such financial asset.

(i) With active market: fair value evaluation will be based on market quotation on the balance sheet date.

(ii) Without active market: fair value evaluation is conducted using observable market materials as much as possible. In the event that no such materials are available, evaluation will then be conducted using specific estimations.

④ Evaluation on Financial Liability:

Subsequent evaluation of financial liability is conducted using amortized cost from effective interest rate, or using fair value through profit/loss.

(i) Financial liability evaluated in fair value through profit/loss will be evaluated in fair value on the report ending day.

(ii) With respect to financial liabilitynot held for transaction and not designated to be evaluated in fair value through profit/loss, evaluation will be conducted using amortized costs on subsequent accounting period ending day. Book value for financial liability evaluated based on amortized cost will be determined based on effective interest rate.

⑤ Evaluation of Non-Financial Asset Impairment:

The Company assesses non-financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (the higher of fair value, less cost of disposal, and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

5. The Occurrence of Any Events as Stated in Section 3 Paragraph 2 Article 36 of the Securities Exchange Act that Had Significant Impacts on Shareholders' Equity or Securities Prices in the Most Recent Year and as of the Publication Date of the Annual Report: None.

TTY BIOPHARM CO., LTD.

CHAIRMAN：Lin, Chuan

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