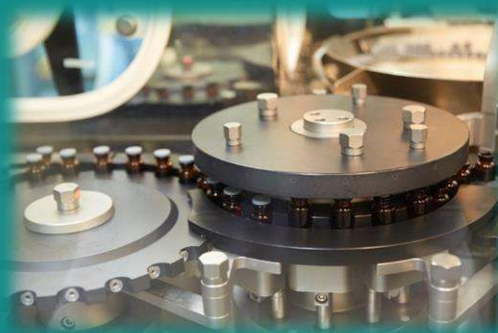


# 2022

# Annual Report



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# I. Letter to Shareholders

Dear Ladies and Gentlemen,

TTY Biopharm has established in year 1960, dedicating in research and development, production, and manufacturing for competitive speciality generic drugs and focusing on licensing-in drugs with high-quality. Furthermore, coupled with professional sales teams, TTY Biopharm has completed comprehensive integrated products and services, building a solid foundation for international expansion.

The Company has sustained the growth momentum, relying on all employees and external efforts from upstream and downstream partners. The Company also continues following the sustainable development strategies and focus on the three major dimensions of “Promotion of Green Transformation”, “Realization of a Healthy Society”, and “Steady Development of the Company.” for the purpose of creating shareholders and stakeholders’ value, offering comprehensive solutions for patients and undertaking the corporate social responsibility.

## **The Company’s Business Result for year 2022**

### (1) Business Plan Implementation Result

The Company’s consolidated net business revenue for year 2022 reached NT\$5,061,606 thousands, which represents an increase by NT\$525,996 thousands (11.60%) compared to that of NT \$4,535,610 thousands for year 2021. The increase was mainly caused by the increasing volume of influenza vaccines and recognition of sales milestone from overseas market. Net profit attributed to the parent company for year 2022 totaled NT\$1,094,391 thousands which represented an increase by NT\$262,497 thousands (31.55%) compared to that of NT\$831,894 thousands in year 2021. The increase was mainly caused by the revenue growth in year 2022, and in year 2021 the Company recognized penalty of NT 220,000 thousands from Fair Trade Commission. The Company has filed an administrative relief to revoke of this administrative penalty with acceptance by the Court.

### (2) Budget Implementation Status

The Company’s standalone revenue for year 2022 is NT\$ 4,492,904 thousands, profit before tax is NT\$ 1,366,948 thousands, achieving 109.55% of the annual budget target.

### (3) Income & Expenditure and Profitability Analysis

Item		Year	2022	2021
Income & Expenditure	Interest Income (in thousands)		1,182	442
	Interest Expenditure (in thousands)		22,491	17,288
Profitability Analysis	Return on Assets %		12.81	9.91
	Return on Equity %		20.22	15.67
	Net Profit Margin %		24.36	20.60
	Earnings Per Share (NTD)		4.40	3.35

#### (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, clinical trials, GMP manufacturing, and CMC preparation. We are firmly committed to our core philosophy to meet patients' needs, to benefit more patients and to maximize shareholder interests.

The Company is 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. Besides, overseas markets for two liposome products are developed in cooperation with leading international companies. One of aforementioned liposome product has obtained approval in the U.S. and the Company estimated to ship in year 2023. The Company also actively in-licensed other products to accelerate access to overseas markets.

Looking forward, the Company shall continue to utilize innovation as its core value, develop strategies based on specialty pharma transmission platform and think strategically to maintain the Company's competitiveness leading position for the purpose of maximizing respective stakeholders' values.

### **Overview of the year 2023 Business Plan**

#### (1) Operation Policy

Ever since its incorporation, TTY has experienced several critical strategic leaps and successfully transformed into a "specialty drug and 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, major countries in Southeast Asia and Asia in order to obtain stable growth for domestic and offshore businesses, we also proceed to expand primary markets and 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 pharmaceutical company specialized in developing special formulation and biotechnological drugs, marketing and manufacturing. Additionally, TTY Biopharm also emphasizes its performance of corporate social responsibility and shall endeavor its efforts on environment, society and corporate governance to fulfill its sustainability responsibility.

## (2) Quantity and Basis for Projected Sales

In year 2023, the Company expects to sell 403,430 thousands tablets of oral products and 6,320 thousands vials of injection. The Company's projected sales volume has been established in accordance with IQVIA 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 Southeast Asia and Asia, global primary markets in Europe and the U.S., and 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 and to aim on accelerating product launch by shortening R&D cycles for self-manufacturing drugs. 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 licensing-in and 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, purchase manufacturing equipment, and optimize supply chain management to lower cost, improve efficiency and increase inventory turnover 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, new medical technology 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 obtaining drugs approval to maximize 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 and investment over early/middle/final phase drug development targets for the purpose of enhancing product assortments and competency (specialty pharma, biopharma, new drug) and sustaining this organization’s short/long term growth momentum and integration of value chain;
- (2) Collaboration with international cooperation partners in order to speed up development for specialty pharma and new drugs which come with unmet medical needs, high entry barrier (technology, manufacturing) and high drug economic values;
- (3) Development of specialty pharma through competitive in-house and joint developments and concentration 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) Establishment, renewal and maintenance of drug manufacturing bases which comply with international quality standards and requirements for the purpose of creating stable operation patterns for Contract Development and Manufacturing Organization (CDMO) and adding values to TTY international business development;
- (5) Enhance production capacity and supply chain management and complete optimal integration and management encompassing from R&D to production through critical strategic events of M&As, strategic alliance and joint venture.
- (6) Continued implementation of production process improvement and enhancement of production capacity planning (capable of supplying international commercial production demand) which comes with flexibility and economies of scale for the purpose of ensuring cost advantage and

competency;

- (7) Rapid acquisition and cultivation of local talents with “entrepreneurial spirit” and continued enhancement over product development, operation, and marketing talents possessing balanced developments in the fields of “science, regulation, business management;”
- (8) Accelerate expansion of overseas business footprints, enhance agency sales target management over existing collaborating partners and continue to establish powerful and preeminent overseas self-operated teams for the purpose of generating the Company’s mid-and-long term revenue growth potential and diversified development for internationalization.

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

Under the policy of stricter controlling drug expenditure conducted by governments and the impact of regional industrial competition, the shortage of material arising from COVID-19 pandemic, and China, India, and emerging 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, coupled with challenging export sales resulted from increasing documents requirement with certain regulatory obstacles, has caused excessive domestic 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 manufacturing laws and regulations. Besides that, price negotiation from hospital and that 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.

Operation environment in year 2022 was full of challenges due to COVID-19 pandemic. Geopolitical instability, US-China trade war and Russia-Ukraine War caused impact to global economy. Looking into the year of 2023, trend for global economy has not exposed a silver lining. Economic growth for major countries is struggling, testing again corporate’s capability to respond to contingency and effectiveness in cost control. TTY Biopharm shall continue to exploit and develop suitable drugs, explore channels, acquire drugs approval or obtain applications of new drugs to boost revenue growth and expand corporate territory. At the meantime, the Company shall exert aggressive control over expenses for the purpose of maximizing shareholder’s equities.

TTY Biopharm Co., Ltd.

Chairman of the Board: Chuan Lin

## II. Company Introduction

1. Founding date: July 22, 1960

2. History of the Comapny :

<b>1960</b>	<ul style="list-style-type: none"><li>Establishment of Taiwan Tung Yang Chemical Industries Company Limited. with a total registered capital of NT\$ 2 million.</li></ul>
<b>1968</b>	<ul style="list-style-type: none"><li>Construction of the Zhongli Factory and technical cooperation with Toyo Jozo Company Limited.</li></ul>
<b>1969</b>	<ul style="list-style-type: none"><li>Registration of the Chinese and English name of the Company (Taiwan Tung Yang Chemical Industries Company Limited.)</li></ul>
<b>1988</b>	<ul style="list-style-type: none"><li>The task force in charge of promotion of Good Manufacturing Practices (GMP) for pharmaceuticals determines that the plant meets all required GMP standards</li></ul>
<b>1993</b>	<ul style="list-style-type: none"><li>Construction of a plant as a joint venture with Shanghai Xudonghaipu Pharmaceutical Company Limited</li></ul>
<b>1997</b>	<ul style="list-style-type: none"><li>Merger with Dongxing Pharmaceutial Company Limited. The company has a total capital of NT\$180 million upon a capital increase.</li></ul>
<b>1998</b>	<ul style="list-style-type: none"><li>The Securities &amp; 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.</li><li>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</li><li>Development of "Regrow SR" for slow-release formulas and acquisition of the first certification in Taiwan for antitussives with prolonged effect</li></ul>
<b>2000</b>	<ul style="list-style-type: none"><li>In accordance with the development and transformation of the company, its English name is officially changed to TTY BioPharm Company Limited.</li><li>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)</li><li>Shanghai Xudong Haipu Pharmaceutical plant passes the GMP certification</li></ul>
<b>2001</b>	<ul style="list-style-type: none"><li>Official OTC listing of the company's stock on September 27</li><li>Issuance of secured common corporate bonds of a par value of NT\$ 300 million</li></ul>

<b>2002</b>	<ul style="list-style-type: none"> <li>• Thado is granted a drug permit license and is brought on the market</li> <li>• Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan</li> <li>• Recognized with the Excellence Award for industrial technology development presented by the Ministry of Economic Affairs</li> <li>• Lipo-Dox® is honored with the Silver Award for Pharmaceutical Technology Research and Development presented by the Department of Health, Ministry of Economic Affairs</li> </ul>
<b>2003</b>	<ul style="list-style-type: none"> <li>• Acquisition of Folina license (Singapore)</li> <li>• Acquisition of a Chinese patent for new Thalidomide indications</li> <li>• Acquisition of a Chinese patent for preparation methods of Oxaliplatin injection sterilization product</li> </ul>
<b>2004</b>	<ul style="list-style-type: none"> <li>• Unsecured convertible bonds are traded over-the-counter for the first time in Taiwan</li> <li>• Acquisition of the exclusive right to develop the new anti-cancer drug S1 in Taiwan granted by Taiho in Japan</li> </ul>
<b>2005</b>	<ul style="list-style-type: none"> <li>• Recognized with the Outstanding Innovation Award presented by the Ministry of Economic Affairs in the context of the 13<sup>th</sup> Industrial Technology Development Awards</li> </ul>
<b>2006</b>	<ul style="list-style-type: none"> <li>• Acquisition of a Taiwanese patent for Lipo-Dox® Liposome Injections – Manufacturing method of liposomal suspensions including liposomal suspension products manufactured with this method</li> <li>• Acquisition of a New Zealandian patent for Asadin® injection – Radioactive arsenic compound and its use for tumor treatment</li> <li>• Acquisition of a Taiwanese patent for Asadin® injection – partially applied medicinal formula for treatment of subcutaneous tumors</li> <li>• Acquisition of a Taiwanese patent for Thado® capsules – Medicinal formula for treatment of stem cell cancer</li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>• Passing of a European plant certification for injection medicines for clinical trial</li> <li>• Completion and activation of a professional plant for the manufacture of anti-cancer drugs in accordance with PIC/S GMP.</li> </ul>
<b>2008</b>	<ul style="list-style-type: none"> <li>• Anti-cancer injection medicine plant passes EU plant certification</li> </ul>
<b>2009</b>	<ul style="list-style-type: none"> <li>• Full anti-cancer dosage passes EU plant certification</li> <li>• Cancer Translational Center earns ISO17025 certification</li> <li>• to-BBB technologies BV announces the joint development of the brain tumor target drug liposomal doxorubicin</li> <li>• Anti-cancer drug Taxotere is granted a generics license in Europe</li> <li>• The Zhongli Factory passes the domestic PIC/S GMP plant certification</li> </ul>

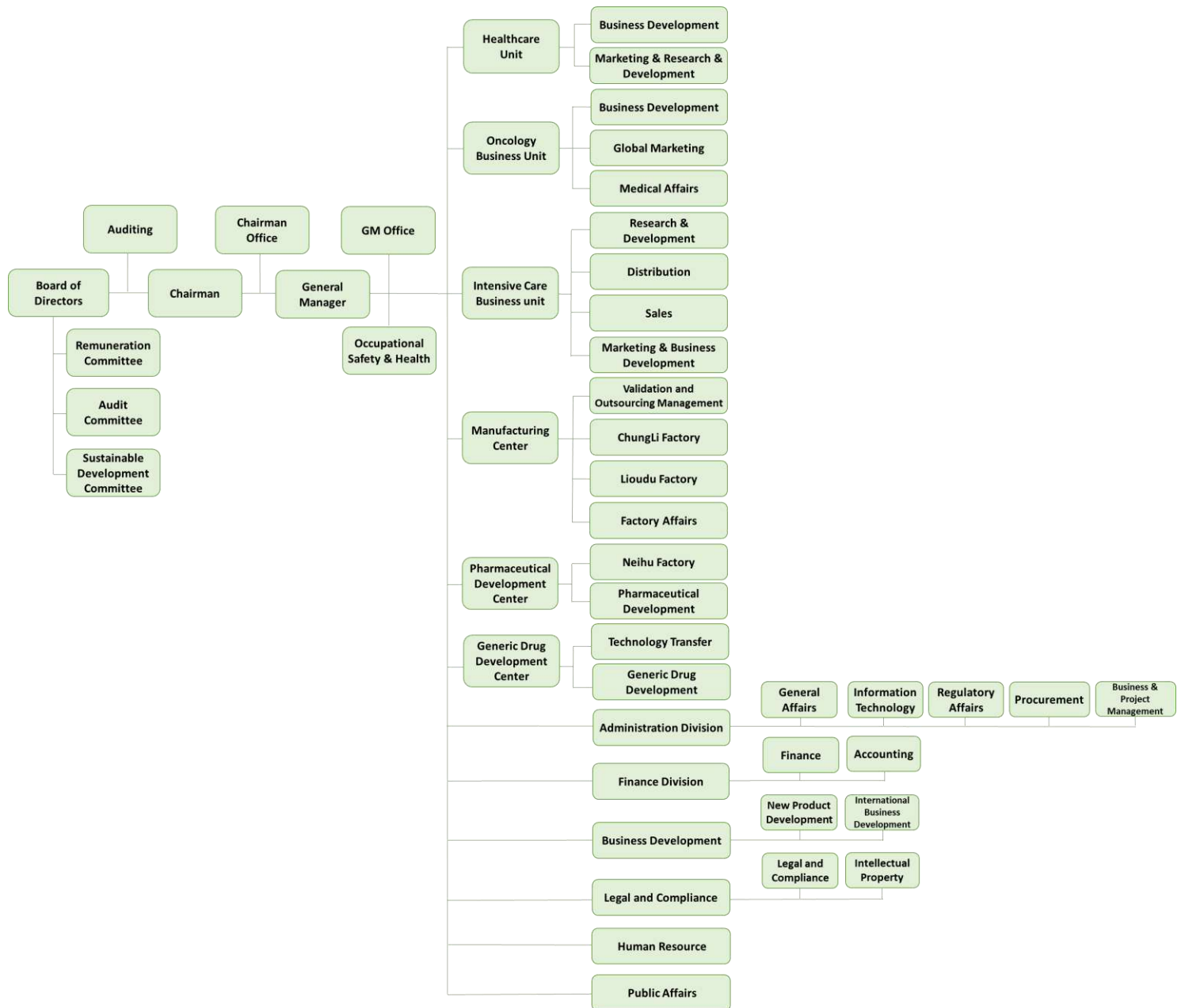
<b>2010</b>	<ul style="list-style-type: none"> <li>• Establishment of TOT Shanghai R&amp;D Center Company Limited. in China</li> <li>• Acquisition of the Taiwan Shionogi Lioudu Factory</li> <li>• Establishment of TOT Biopharm Company Limited in China</li> <li>• Acquisition of drug permit license for TS-1 Capsule</li> </ul>
<b>2011</b>	<ul style="list-style-type: none"> <li>• Establishment of TSH Biopharm Corporation Limited through spin-off</li> <li>• Establishment of a local office in Hanoi, Vietnam</li> <li>• Lipo-Dox is honored with the 2011 Biotechnology Award for best technology commercialization</li> <li>• Lipo-Dox is honored with the 2011 National Invention and Creation Award- Silver Medal Award</li> <li>• Award in the industry category at the 7<sup>th</sup> Nano Elite Awards organized by the Ministry of Economic Affairs</li> <li>• Investment in CY Biotech</li> </ul>
<b>2012</b>	<ul style="list-style-type: none"> <li>• Acquisition of a Taiwanese drug permit license for Temazo Capsules</li> <li>• Acquisition of a Taiwanese drug permit license for Tynen Injection</li> <li>• Construction and activation of the new anti-cancer drug manufacturing plant of TOT Biopharm Company Limited in Suzhou</li> <li>• Acquisition of 100% of the total equity of Chengdu Shuyu Pharmaceutical Company Limited. in China</li> </ul>
<b>2013</b>	<ul style="list-style-type: none"> <li>• Disposal of 60% of the total equity of Taiwan Tungyang International Company Limited</li> <li>• Honored with the Gold Award for outstanding biotechnology industries</li> <li>• The Lioudu Factory passes the domestic PIC/S GMP plant certification</li> </ul>
<b>2014</b>	<ul style="list-style-type: none"> <li>• Acquisition of a Taiwanese drug permit license for Brosym for Injection</li> <li>• Neihu Plant passes Taiwan TFDA plant certification</li> </ul>
<b>2015</b>	<ul style="list-style-type: none"> <li>• Neihu Plant passes Taiwan TFDA PIC/S GMP plant certification</li> <li>• Chungli Factory passes Taiwan TFDA PIC/S GMP plant certification</li> <li>• In order to adjust investment structure, selling all equities of Taiwan Tungyang International Company Limited and TOT Biopharm International Company Limited</li> </ul>
<b>2016</b>	<ul style="list-style-type: none"> <li>• Audit committee was established to replace supervisor.</li> <li>• Liu-Du factory passed Taiwan TFDA PIC/S GMP inspection and obtained certification in freeze-drying dosage, sterile preparation and final sterilization.</li> <li>• The Company as a whole has passed “Taiwan Intellectual Property Management System” A level certification.</li> </ul>
<b>2017</b>	<ul style="list-style-type: none"> <li>• Achieved top 5% performance among OTC Company in the 3rd Company Governance Assessment.</li> <li>• The company established a joint venture of EnhanX Biopharm Inc. with 2-BBB MEDICINES BV.</li> </ul>

<b>2018</b>	<ul style="list-style-type: none"> <li>· Achieved top 5% performance among OTC companies in the 4th Company Governance Assessment.</li> <li>· The company and global player jointly develop generic drug of Arsenic Trioxide for US and Europe market.</li> </ul>
<b>2019</b>	<ul style="list-style-type: none"> <li>· The establishment of the officer of corporate governance.</li> <li>· Achieved top 5% performance among OTC companies in the 5th Company Governance Assessment.</li> <li>· Long-acting microsphere product “Octreotide LAR” was developed and cooperate with leading international company into oversea markets.</li> <li>· The establishment of sustainable development committee.</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>· Achieved top 5% performance among OTC companies in the 6<sup>th</sup> Company Governance Assessment and top 10% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</li> <li>· Awarded “Best Companies to work for in Asia 2020”.</li> <li>· The Company has passed “Taiwan Intellectual Property Management System” level A certification.</li> <li>· The anti-cancer drugs of TTY Biopharm Mexico have been approved.</li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>· Achieved top 5% performance among OTC companies in the 7<sup>th</sup> Company Governance Assessment and top 10% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</li> <li>· The Generic Drug- Arsenic Trioxide has been approved by US FDA.</li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>· The Board of Directors has appointed Ms. Hou, Ching-Lan as the General Manager of the Company.</li> <li>· Achieved top 5% performance among OTC companies in the 8<sup>th</sup> Company Governance Assessment and top 11-20% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</li> <li>· Awarded “Best Companies to work for in Asia 2022”.</li> <li>· The Amphotericin B (Lipo-AB), a liposome amphotericin drug for the treatment of systemic mycosis, has been approved by US FDA and acquired license approval.</li> <li>· The Company has passed “Taiwan Intellectual Property Management System” level A certification.</li> </ul>
<b>2023</b>	<ul style="list-style-type: none"> <li>· The Amphotericin B (Lipo-AB), a liposome amphotericin drug has been shipped to the United States.</li> <li>· Achieved top 5% performance among OTC companies in the 9<sup>th</sup> Company Governance Assessment and top 11-20% among non-financial and non-tech companies with market capitalization more than NTD 10 billion.</li> </ul>

# III. Corporate Governance Report

## 1. Organization

### (1) Organization Chart



## (2) Department Functions

Department	Segregation of duties
Chairman Office	Execute the assigned tasks and assist in the preparations for the meetings of Board of Directors
Auditing Office	Audit the execution of internal control of each unit with suggestion and track the improvement.
GM Office	Assist General Manager to realize respective strategy under business model.
Occupational Safety & Health Team	Planning and execution for Company's environment, health and safety management; improving work place, safety protection equipment and factory hygiene as well as conducting the Company's industry safety risk assessment operation to reduce or control potential damage in work.
Oncology Business Unit	Develop, assess and explore efficiently products to align Company's strategic directions in the realm of cancer based on the Company's disease categories; and execute marketing planning and business promotion before and after product launch.
Intensive Care Business Unit	Develop strategies in accordance with the Company's disease categories; execute strategic planning, development, and marketing and promotion over anti-infective drugs, and narcotic drugs.
Healthcare Unit	Develop strategies in accordance with the Company's disease categories; execute product development over healthcare field, chronic disease treatments and vaccine; execute marketing planning and business promotion before and after product launch.
Pharmaceutical Development Center	Focus on the research and development and design for specialty drugs; allocate and coordinate resources to R&D formulation programs to accelerate product development process and to fulfill business units' needs.
Generic Drug Development Center	Develop and design the traditional generic drugs to accelerate development process and to fulfill domestic business needs.
Manufacturing Center	Integrate and maintain PIC/S GMP management system to ensure TTY's products, including injection, oral drugs and biological products, meet the global quality standard.
Administration Division	<ol style="list-style-type: none"> <li>1. Assist setting annual targets, mid-to-long term strategy and planning, major project management, and business analysis for decision-making to consolidate mid-to-long term development.</li> <li>2. Master the pharmaceutical regulations of various target markets with ability of strategic regulations and project management, deliver the strategy and schedule for drug approval to aim to accelerate product launch in both oversea and domestic markets.</li> <li>3. In charge of procurement of key API, strategically sourcing and procuring, cost control of procurement, strengthening the relationship of supply chains to stabilize the supplies of key API and to enhance competitiveness.</li> <li>4. Implement of hardware and software planning and infrastructure, enhance capability of information security and support the promotion for digital transformation.</li> <li>5. In charge of tender of hospitals, delivery, sales commission management to aim to achieve the sales goal; execute asset management and general affairs procurement.</li> </ol>



Department	Segregation of duties
Finance Division	Responsible for fund scheduling and management, investment and M&A planning, accounting and tax affairs, budget management, investment company management, investor relationship management, operation of board of directors and stock affairs.
Business Development Division	In charge of oversea company's operation, including oversea market development, license-in, strategic alliance, new venture evaluation, merger and acquisition
Legal and Compliance Division	<ol style="list-style-type: none"> <li>1. Responsible for the formulation and evaluation of the Company's legal risk prevention mechanism, including contract review, legal consultation, intellectual property litigation and other domestic and foreign related litigation and non-litigation cases and projects. Comprehensively manage legal compliance affairs, collect updated laws and regulations related to the Company's business operations and analyze its legality, plan, manage, and implement legal compliance mechanism, review the internal rules and regulations, accept internal reporting, and comply with the laws and regulations of the respective industry.</li> <li>2. Act as intellectual property and intelligence center of the Company, evaluate the risk of intellectual property and overcome challenge for product listing, to accelerate product development and lower the risk of launching.</li> </ol>
Human Resource Division	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.
Public Affairs Division	Promote the Company's brand and image, establish and maintain public relations, participate in the planning and execution of industry-related policies and regulation, to create healthy environment for the Company's business.

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

### (1) Director

#### ① Director

Apr. 30, 2023, Unit: share: %

Title/ Name	Nationality or Place of Registration	Gender (Ages)	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings (Note 1)		Current Shareholding of Spouse and Minor Children (Note 1)		Shareholdings in the Names of Others (Note 1)		Main Education & Experience	Current Positions at TTY and Other Company	Directors or Supervisors who are Spouses or within Two Degrees of Kinship
						Shares	%	Shares	%	Shares	%	Shares	%			
Chairman Chuan Lin	R.O.C.	Male (71~80)	2021.08.25	3 years	2018.11.22	120,000	0.05	120,000	0.05	55,000	0.02	0	0	【Note】	【Note】	【Note】
Vice Chairman Wen-Hwa Chang	R.O.C.	Female (51~60)	2021.08.25	3 years	1995.7.24	4,409,800	1.77	4,409,800	1.77	0	0	0	0	【Note】	【Note】	【Note】
Director Dawan Technology Company Limited.	R.O.C.		2021.08.25	3 years	1995.7.24	22,590,732	9.09	23,526,732	9.46	0	0	0	0	【Note】	【Note】	【Note】
Representative: Carl Hsiao	U.S.A.	Male (31~40)			2019.3.26	881,712	0.35	881,712	0.35	0	0	0	0			
Director Tze-Kaing Yang	R.O.C.	Male (61~70)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	260,000	0.10	【Note】	【Note】	【Note】
Director Hsiu-Chi Chang	R.O.C.	Male (61~70)	2021.08.25	3 years	2016.6.24	1,943,686	0.78	1,942,686	0.78	2,772,062	1.11	0	0	【Note】	【Note】	【Note】
Director Ying-Ying Liao	R.O.C.	Female (51~60)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Duei Tsai	R.O.C.	Male (71~80)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】
Independent Director Ming-Ling Hsueh	R.O.C.	Male (61~70)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】

Title/ Name	Nationality or Place of Registration	Gender (Ages)	Elected Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings (Note 1)		Current Shareholding of Spouse and Minor Children (Note 1)		Shareholdings in the Names of Others (Note 1)		Main Education & Experience	Current Positions at TTY and Other Company	Directors or Supervisors who are Spouses or within Two Degrees of Kinship
						Shares	%	Shares	%	Shares	%	Shares	%			
Independent Director Tien-Fu Lin	R.O.C.	Male (71~80)	2021.08.25	3 years	2016.6.24	0	0	0	0	0	0	0	0	【Note】	【Note】	【Note】

【Note】 : Main Education & Experience, Current Positions at TTY and Other Company and Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship as below:

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company	Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
			Title	Name	Relation	
Chairman Chuan Lin	Ph.D., Economics, University of Illinois at Urbana-Champaign, USA	Chairman TSH Biopharm Company Limited Director Pegatron Corporation	—	—	—	
Vice Chairman Wen-Hwa Chang	MBA of Manmos College	Director Arich Investment Company Limited Director Xudonghaipu International Company Limited. Director American Taiwan Biopharma Philippines Inc. Director Worldco International Limited Director TTY Biopharm Korea Co., Ltd. Director TTY Biopharm Mexico S.A DE C.V. Director TTY Biopharm Turkey Health Products Industry and trade Limited Company	—	—	—	
Director Dawan Technology Company Limited.	PharmD, University of the Pacific Thomas J Long School of Pharmacy MBA, University of the Pacific Eberhardt School of Business	Director TSH Biopharm Company Limited Director American Taiwan Biopharm Co., Ltd. Director Dawan Technology Company Limited.	—	—	—	
Representative: Carl Hsiao			—	—	—	

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company		Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
				Title	Name	Relation	
Director Tze-Kaing Yang	MBA of University of Illinois at Urbana-Champaign Ph.D of Business Administration, National Chengchi University	Chairman Director and General Manager Director Director Director Director Director	Yangtze Associates Huiyang Private Equity Fund Co., Ltd Chien Kuo Construction Co., LTD. Airiti Inc. Hon Yang Healthcare Pegatron Corporation Asustek Computer Inc. Hua-Cheng Capital Inc.	—	—	—	
Director Hsiu-Chi Chang	EMBA, National Taiwan University College of Management BS., School of Pharmacy, Taipei Medical University	Director Director Chairman Director	Xudonghaipu International Company Limited. Worldco International Limited Yuen Hung Investment Company Limited Reber Genetics Company Limited	—	—	—	
Director Ying-Ying Liao	MBA, University of Missouri, USA	Supervisor Independent Director	cnYES.com Company Limited Acer Gaming Inc	—	—	—	
Independent Director Dwei Tsai	Ph.D., Graduate Institute of Electrical Engineering, National Taiwan University	Independent Director Independent Director Independent Director undertaking public affairs Director	Compal Electronics, Inc. Taiwan High Speed Rail Corp. Starlux Airlines Company Limited  Da-ai TV Inc.	—	—	—	
Independent Director Ming-Ling Hsueh	MBA, Bloomsburg University, Pennsylvania, USA MS., Graduate Institute of Accounting, Soochow University	Independent Director Independent Director Independent Director Independent Director Director	Lite-On Technology Corp. Walsin Lihwa Corporation Yuanta Financial Holdings Yuanta Commercial Bank Tung Hua Book Company Limited	—	—	—	(Note 2)

Title/Name	Main Education & Experience	Current Positions at TTY and Other Company	Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
			Title	Name	Relation	
Independent Director Tien-Fu Lin	Center for Public Administration and Business Management Education, National Chengchi University, Accounting Training Common Accounting Group and Intermediate Accounting Group	Chairman Director Supervisor  Yuanta Futures Co., Ltd. Yuanta Securities Co., Ltd. Taipei Exchange	—	—	—	

Note1:

The number of shares held by the directors self-owned, his/her spouse, minor children and others in the name of others is as of April 02, 2023, the suspension date for Year 2023 Annual General Meeting.

Note 2:

According to paragraph 2, article 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"- an independent director of a financial holding company or of a TWSE or TPEX listed investment holding company concurrently serves as an independent director of more than one wholly owned subsidiary of that company, the number of such subsidiaries beyond one shall be included in the calculation of the number of subsidiaries at which the independent director concurrently serves under paragraph 1" Independent Director Ming-Ling Hsueh was designated by Yuanta Financial Holding Co., Ltd. as an independent director for Yuanta Commercial Bank Co., Ltd., and the designation shall not be counted in the number of "other" listed companies with such independent director prescribed in paragraph1, Article 4 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"

## ② Major Shareholders of Institutional Shareholders

Apr. 30, 2023

Name of Institutional Shareholder	Name of Major Shareholders
Dawan Technology Company Limited.	Hsiao, Yu-Bin ( 36.98% ) , Hsiao, Ying-Chun ( 28.69% ) , Li-Yuan Welfare Charitable Trust (11.02%), Wu, Yong-Liang ( 8.50% ) , Xu, Mei-Qin ( 9.14% ) , Hsiao, Chia-Yu ( (3.11% ) , Carl Hsiao ( 2.56% )

## ③ Major Shareholder of Corporate Shareholders with a institutions its Main Shareholder:None.

④ Professionalism, Diversity, and Independence of Directors

(i) Professionalism and Independence of Directors

Name/Title	Professionalism and Experiences
Chuan Lin /Chairman	<p>Chairman Lin Chuan obtained PhD degree in economics from the University of Illinois in the United States, and is specialized in economics, taxation and finance. He served as a CEO of a research institution, professors in universities, major public service; He also served as chairman, directors and independent directors in various listed companies (Vanguard International Semiconductor Corp., Chartis Taiwan Insurance Co., Ltd., Pegatron Corp., Casetek Holdings LTD., Hwaya Technology, etc.) in Taiwan with abundant experiences in industry, government and academics.</p> <p>Combining theoretical and practical experience, Chairman Lin has served as the director of TTY Biopharm Company Limited since 2011 to contribute to Taiwan's biotechnology industry. In year 2015, he also served as a director of PharmaEngine Inc., which focus on new-drug development.</p> <p>Chairman Lin has many years of experience in the biotechnology industry including pharmaceutical R&amp;D, innovation, manufacturing, and marketing, coupled with an international perspective and familiarity with corporate governance, he will lead the Company to aim to a benchmark and leading position in Taiwan's biotechnology industry through in-depth market strategy, good manufacturing, integration, horizontal or even vertical merger and acquisitions and effective management.</p> <p>Chuan Lin, Chairman of TTY Biopharm Co., Ltd. was not involved in any of the provisions of Article 30 of the Company Law.</p>
Wen-Hwa Chang / Vice Chairman	<p>Ms. Chang, Wen Hwa has served as a vice chairman of TTY Biopharm Company Limited since 1995 and also served as a vice president of Arich Enterprise Co., Ltd.</p> <p>Ms. Chang specializes in logistics in biotechnology industry, negotiation, financial operations, and risk controls. Coupled with experiences in finance and accounting filed, she will lead TTY Biopharm Co., Ltd. to have more solid financial performance to further aim to be an international company.</p> <p>Chang, Wen Hwa, Vice Chairman of TTY Biopharm Co., Ltd. was not involved in any of the provisions of Article 30 of the Company Law.</p>

Name/Title	Professionalism and Experiences
Representative of Dawan Technology Company Limited: Carl Hsiao / Director	<p>Before serving as the Director of TTY Biopharm since 2018, Carl Hsiao had worked in CVS Health Pharmacy, an international retail pharmacy. He specializes in prescription management, clinical service, disease management and retail pharmacy management, coupled with knowledge of marketing, logistics, and inventory management under international business model, which will be beneficial for the Company to be internationalized.</p> <p>Carl Hsiao, Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Tze-Kaing Yang / Director	<p>Mr. Tze-Kaing Yang has served as a director of TTY Biopharm Co., Ltd. since 2016.</p> <p>Mr. Yang had served as public service, President of CDIB Capital Groups, and directors and independent directors for several listed companies. He also served as a professor of Guanghua School of Management and National Chengchi University. Mr. Yang has professional expertise in the fields of investment and financials operation, domestic and oversea capital market operation, and risk management; and his sophisticated knowledge can help TTY Biopharm Co., Ltd. to conduct risk management under uncertain business environment and further to create the stakeholders' value.</p> <p>Tze-Kaing Yang, Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Hsiu-Chi Chang / Director	<p>Mr. Hsiu-Chi Chang has served as a supervisor and director of TTY Biopharm Co., Ltd. for a long time. He also served as General Manager of Purzer Pharmaceutical Co., Ltd. and Director of Reber Genetics Co., Ltd., possessing plenty experiences of manufacturing, sales, human resources, research and development, and finance in biotechnology industry.</p> <p>Director Chang specializes in biotech product cycle and research and development process, and he can contribute effective and pragmatic suggestion to enrich product lines of TTY Biopharm Co., Ltd. and to be beneficial for the patients.</p> <p>Hsiu-Chi Chang, Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>

Name/Title	Professionalism and Experiences
Ying-Ying Liao / Director	<p>Ms. Ying-Ying Liao has served as a supervisor and a director since 2014.</p> <p>Ms. Liao had served as the manager in underwriting department as well as the assist vice president in international department of Fubon Securities, and has been the director of cnYes Com. Co., Ltd. She has dedicated to operations of international capital market, being familiar with issuance of corporate shares and bonds, optimization of capital structure, multinational financial operation, and risk control.</p> <p>Ms. Liao deeply possess insights of the importance of corporate sustainability for oversea and domestic institutional investors hence she will provide insights through aspects of environment, society, and governance to help TTY Biopharm Co., Ltd. to furtherly implement corporate sustainability and aim for an excellent corporate citizen.</p> <p>Ying-Ying Liao, Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Duei Tsai / Independent Director	<p>Mr. Tsai has served as the independent director of TTY Biopharm Co., Ltd. since 2016 and the convener of Remuneration Committee.</p> <p>He has been an adjunct professor of National Taiwan University of Science and Technology; In addition, he also had served as several important public service such as the Minister of transportation and communication, General Director of Civil Aeronautics Administration, MOTC, and Vice General Director of Directorate General of Telecommunications, MOTC in Taiwan. Mr. Tsai also had served as or currently is the independent directors of several listed companies, such as Compal Electronics Inc., Taiwan High Speed Railway Corp., Taiwan Taxi Co., Ltd., Starlux Airlines Co., Ltd., and Getac Technology Corp. He possess rich experiences of business management across industry, government and academia. Mr. Tsai has dedicated in information technology field, and his insights can drive TTY Biopharm to conduct digit transformation with combination of technology and medical field.</p> <p>Duei Tsai, Independent Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>



Name/Title	Professionalism and Experiences
Ming-Ling Hsueh / Independent Director	<p>Mr. Hsueh has served as the independent director of TTY Biopharm Co., Ltd. since 2016 and he also has been the conveners of Audit Committee and Sustainable Development Committee. Mr. Hsueh possess Certified Public Accountant in Taiwan, and served as Head of PwC Taiwan and an adjunct professor of National Taiwan University of Science and Technology. He possess abundant experiences of finance and accounting, risk management, and corporate governance, specializing in corporate governance, business practices, financials analysis. Mr. Hsueh currently has served as Executive Director of Taiwan Corporate Governance Association, Independent Directors of Yuanta Financial Holding Co., Ltd., Yuanta Bank, LITE-ON Technology Corp., Walsin Lihwa Corp., and Director of TungHua Book Co., Ltd.</p> <p>Ming-Ling Hsueh, Independent Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>
Tien-Fu Lin / Independent Director	<p>Mr. Lin has served as the independent director of TTY Biopharm Co., Ltd. since 2016, and he possess over 25 years' experiences in security-related industry.</p> <p>Mr. Lin currently is Chairman of Yuanta Futures Co., Ltd. and he had been General Manager of Yuanta Polaris Securities Co., Ltd., Director of Yuanta Financial Holding Co., Ltd., Vice Chairman of Yuanta Securities Finance Co., Ltd., Director and Chief Executive Officer of Fuhwa Securities, Director and Vice Executive President of Yuanta Securities Co., Ltd. and Chairman of DingFu Securities.</p> <p>Mr. Lin has insights of economic trends for domestic and oversea market, and his professionalism will be beneficial for TTY Biopharm Co., Ltd. to expand international market.</p> <p>Tien-Fu Lin, Independent Director of TTY Biopharm Co., Ltd., was not involved in any of the provisions of Article 30 of the Company Law.</p>

**(ii) Independence Attributes of Directors**

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
Chuan Lin / Chairman	Not Applicable	1
Wen-Hwa Chang / Vice Chairman	Not Applicable	None
Dawan Technology Company Limited. Representative: Carl Hsiao / Director	Not Applicable	None

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
Tze-Kaing Yang / Director	Not Applicable	None
Hsiu-Chi Chang / Director	Not Applicable	None
Ying-Ying Liao / Director	Not Applicable	1
Duei Tsai / Independent Director	<p>Independent Director Duei Tsai conforms to the independence requirements set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other relevant details are as follows,</p> <ol style="list-style-type: none"> <li>1. Independent Director Tsai does not hold any shares of the Company. In addition to currently serving as the independent director of TTY Biopharm and an adjunct professor of National Taiwan University of Science and Technology, he holds concurrent appointment as independent directors of Compal Electronics Inc., Taiwan High Speed Railway Corp., Independent Director undertaking public affairs of Starlux Airlines Co., Ltd. and Director of Da-ai TV Inc. The aforementioned 4 companies have no relationship with TTY.</li> <li>2. Independent Director Lin's spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.</li> <li>3. Prior to his appointment, Independent Director Tsai signed a declaration stating that he meets the qualification criteria set out in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and relevant provisions stipulated in Article 14-2 of the Securities and Exchange Act.</li> </ol>	3
Ming-Ling Hsueh / Independent Director	<p>Independent Director Ming-Ling Hsueh conforms to the independence requirements set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other relevant details are as follows,</p> <ol style="list-style-type: none"> <li>1. Independent Director Hsueh does not hold any shares of the Company. In addition to currently serving as the independent director of TTY</li> </ol>	4 (Note)

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
	<p>Biopharm, he holds concurrent appointment as executive director of Taiwan Corporate Governance Association, Independent Directors of Yuanta Financial Holding Co., Ltd., Yuanta Bank, LITE-ON Technology Corp., Walsin Lihwa Corp., and Director of TungHua Book Co., Ltd. Except that TTY Biopharm commissioned Taiwan Corporate Governance Association to evaluate the performance of the Board of Directors and functional committees with service fee of NT\$ 160 thousand in year 2021, there is no relationship between other aforementioned companies and TTY Biopharm.</p> <p>2. Independent Director Hsueh's spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.</p> <p>3. Prior to his appointment, Independent Director Hsueh signed a declaration stating that he meets the qualification criteria set out in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and relevant provisions stipulated in Article 14-2 of the Securities and Exchange Act.</p>	
Tien-Fu Lin / Independent Director	<p>Independent Director Tien-Fu Lin conforms to the independence requirements set forth in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Other relevant details are as follows,</p> <p>1. Independent Director Lin does not hold any shares of the Company. In addition to currently serving as the independent director of TTY Biopharm, he holds a concurrent appointment as director of Yuanta Futures. The latter company has no relationship with TTY.</p> <p>2. Independent Director Lin's spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total</p>	None

Name / Title	Independence Attributes	Number of Director Posts Held Concurrently for Other Publicly Listed Companies
	<p>number of issued shares of the company or rank in the top 10 in holdings.</p> <p>3. Prior to his appointment, Independent Director Lin signed a declaration stating that he meets the qualification criteria set out in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and relevant provisions stipulated in Article 14-2 of the Securities and Exchange Act.</p>	

Note: According to paragraph 2, article 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”- an independent director of a financial holding company or of a TWSE or TPEX listed investment holding company concurrently serves as an independent director of more than one wholly owned subsidiary of that company, the number of such subsidiaries beyond one shall be included in the calculation of the number of subsidiaries at which the independent director concurrently serves under paragraph 1” Independent Director Ming-Ling Hsueh was designated by Yuanta Financial Holding Co., Ltd. as an independent director for Yuanta Commercial Bank Co., Ltd., and the designation shall not be counted in the number of “other” listed companies with such independent director prescribed in paragraph1, Article 4 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”

### (iii) Diversity and Independence of Board of Directors

- Diversity :

The Company has formulated the policy on diversity of members of Board in Chapter 3 “Enhancing the Functions of the Board of Directors” in the “Principles of Corporate Governance”. The members of the Board of Directors shall possess the knowledge, skills, and qualification to perform their duties. To achieve the goal of corporate governance, the Board of Directors shall have capability of business judgement, accounting and financial analysis, business management, crisis management, industry knowledge, international outlook, leadership and decision-making.

The Election of Board of Directors has been adopted via nomination method in accordance with Articles of Incorporation, and the candidates of Directors shall be evaluated based on background and experiences with compliance of “Regulation for Election of Directors” and “Principles of Corporate Governance” to ensure the diversity and independence of Directors.

The Board of Directors consists 9 directors, including 2 female directors and accounting for 22.22% of total members; in addition, there are 3 independent directors, accounting for 33.33% of total members. The age distribution of the Board of Directors is as follows, 1 member is between 31 to 40 years old, 5 members are between 51 to 70 years old, and 3 members are 70 years old above.

The members of the Board of Directors of the Company possess a variety of professionalism, including biotech, banking, business, law, finance and accounting, being sufficient to undertake business strategy and major decisions involved in economic, environment and society, and to supervise the management team and to conduct risk management.

Name/Title	Core Item of Diversity	Experiences and Professionalism					
		Business Management	Leadership and Decision-making	Industry Knowledge	Finance and Accounting	Law	Environmental Protection
Chuan Lin / Chairman		✓	✓	✓	✓	✓	✓
Wen-Hwa Chang / Vice Chairman		✓	✓	✓	✓	✓	
Carl Hsiao / Director		✓	✓	✓			
Tze-Kaing Yang / Director		✓	✓		✓		
Hsiu-Chi Chang / Director		✓	✓	✓	✓		
Ying-Ying Liao / Director		✓	✓		✓		
Duei Tsai / Independent Director		✓	✓		✓	✓	✓
Ming-Ling Hsueh / Independent Director		✓	✓		✓	✓	
Tien-Fu Lin / Independent Director		✓	✓		✓		✓

● Independence :

There are 3 independent directors of the Company, accounting for 33.33% of total members. All independent directors have assumed their positions since June, 2015 with the 3<sup>rd</sup> term of office and length of office has been 7 years.

In addition to meet the independence qualification of Independent Directors, all members of the Board are unrelated. Meanwhile, Chairman Lin has appointed to act as General Manager concurrently since Oct. 18, 2021, nevertheless, the Company has been actively seeking appropriate candidates for the purpose of maintaining independence of the Board and clear division between duty and responsibility. Hence, the Board of Directors has approved the appointment of General Manager on Mar. 09, 2022 and the new General Manager, Sara Hou, has assumed her position on Apr. 18, 2022. Furthermore, in terms of concurrent position in other companies of each Director, there are no business relationship between the Company and other companies which Directors of the Company served concurrently except for serving as Directors of reinvested companies for the Company.

## (2) Information of Management Team

Apr 30, 2023; Unit: share; %

Title	Nationality	Name	Gender	Elected Date	Current Shareholdings (Note)		Current Shareholding of Spouse and Minor Children (Note)		Shareholdings in the Names of Others (Note)		Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship
					Shares	%	Shares	%	Shares	%			
General Manager	R.O.C.	Sara Hou	Female	2022.04.18	0	0	0	0	0	0	【Note】	【Note】	【Note】
Senior Vice General Manager, Pharmaceutical Development Center	R.O.C.	Yu-Fang Hu	Male	2021.01.20	6,607	0	813	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, Healthcare Unit	R.O.C.	Da-Cheng Feng	Male	2023.02.01	0	0	2,000	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, Manufacturing Center	R.O.C.	Shih-Chuan Lin	Female	2020.08.04	0	0	0	0	0	0	【Note】	【Note】	【Note】
Assist Vice President, Oncology Unit	R.O.C.	Hsiang-Ju Hung	Female	2020.04.01	13,000	0.01	0	0	0	0	【Note】	【Note】	【Note】
Senior Assist Vice President, Administration Division	R.O.C.	Nai-Wei Liu	Female	2018.12.04	27,000	0.01	0	0	0	0	【Note】	【Note】	【Note】
Chief Financial Officer	R.O.C.	Kuo-Chiang Chang	Male	2015.12.31	0	0	0	0	0	0	【Note】	【Note】	【Note】
Chief Legal and Compliance Officer	R.O.C.	Shu-Fen Huang	Female	2022.04.18	0	0	0	0	0	0	【Note】	【Note】	【Note】
Chief Human Resource Officer	R.O.C.	Jen-Yang Chang	Male	2019.05.01	0	0	0	0	0	0	【Note】	【Note】	【Note】
Chief Auditor	R.O.C.	Yong-Min Jiang	Male	2022.11.07	0	0	0	0	0	0	【Note】	【Note】	【Note】
Accounting Officer	R.O.C.	Shu-Wen Wang	Female	2015.08.13	0	0	0	0	0	0	【Note】	【Note】	【Note】

**【Note】** : Main Education & Experience, Current Positions at TTY and Other Company and Managers who are Spouses or within Two Degrees of Kinship as below:

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship			Remark
				Title	Name	Relation	
General Manager	Sara Hou	MS, Clinical Pharmacy, National Taiwan University	Supervisor Enhanx Inc. Director TTY Biopharm Mexico S.A. DE C.V. Director TTY Biopharm Turkey Health Products Industry and Trade Limited Company	—	—	—	
Senior Vice General Manager, Pharmaceutical Development Center	Yu-Fang Hu	PhD, College of Pharmacy and Health Science, St. John's University	Chairman Enhanx Inc.	—	—	—	
Senior Assist Vice President, Healthcare Unit	Da-Cheng Feng	MS, Institute of Physiology, National Yang Ming University	Director SunShine Marketing Management Consulting Ltd.	—	—	—	
Senior Assist Vice President, Manufacturing Center	Shih-Chuan Lin	BS., Department of Soil and Environmental Sciences, National Chung Hsing University		—	—	—	
Assist Vice President, Oncology Business Unit	Hsiang-Ju Hung	MS. Institute of Biochemical Sciences, National Taiwan University		—	—	—	
Senior Assist Vice President,, Administration Division	Nai-Wei Liu	MBA, Department of Business Administration, National Central University	Chairman Chuang Yi Biotech Company Limited.	—	—	—	
Chief Financial Officer	Kuo-Chiang Chang	MBA, College of Management, National Taiwan University	Supervisor TTY Biopharm Mexico S.A DE C.V. Supervisor TTY Biopharm Korea Co., Ltd.	—	—	—	
Chief Legal and Compliance Officer	Shu-Fen Huang	Ph.D., College of Law, Western Virginia University, USA		—	—	—	
Chief Human Resource Officer	Jen-Yang Chang	MS, Department of Human Resource Management, Rutgers, The State University of New		—	—	—	

Title	Name	Main Education & Experience	Current Positions at TTY and Other Company	Managers who are Spouses or within Two Degrees of Kinship			Remark
				Title	Name	Relation	
		Jersey					
Chief Auditor	Yong-Min Jiang	Double MS, Department of Accounting and Department of Law, Soochow University		—	—	—	
Accounting Officer	Shu-Wen Wang	BS, Department of Accounting, Soochow University		—	—	—	

Note: The number of shares held by the managers themselves, his/her spouse, minor children and others in the name of others is as of April 02, 2023, the suspension date for Year 2023 Annual General Meeting.



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

#### ① Payment of Remuneration to Directors and Independent Directors

Unit: NT\$ Thousand

Title	Name	Remuneration								Ratio Of Total Remuneration (A+B+C+D) To Net Income (%)	
		Base Remuneration (A)		Severance Pay (B)		Bonus To Directors (C)		Allowances (D)		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	The Company	All Companies In The Consolidated Financial Statements		
Chairman	Chuan Lin	8,325	9,075	0	0	14,950	14,950	245	301	23,520 2.15%	24,326 2.22%
Vice Chairman	Wen-Hwa Chang										
Director	Dawan Technology Co. Ltd. Representative: Carl Hsiao										
Director	Tze-Kaing Yang										
Director	Hsiu-Chi Chang										
Director	Ying-Ying Liao	6,480	6,480	0	0	0	0	330	330	6,810 0.62%	6,810 0.62%
Independent Director	Duei Tsai										
Independent Director	Ming-Ling Hsueh										
Independent Director	Tien-Fu Lin										

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 or From Parent Company	
		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	Chuan Lin	1,305	1,305	0	0	0	0	0	24,825 2.27%	25,631 2.34%	45
Vice Chairman	Wen-Hwa Chang										
Director	Dawan Technology Co. Ltd. Representative: Carl Hsiao										
Director	Tze-Kaing Yang										
Director	Hsiu-Chi Chang										
Director	Ying-Ying Liao	0	0	0	0	0	0	0	6,810 0.62%	6,810 0.62%	None
Independent Director	Duei Tsai										
Independent Director	Ming-Ling Hsueh										
Independent Director	Tien-Fu Lin										

- Please describe policies, systems, standards, and structures for independent director remuneration, and connection between remuneration amounts and board duties, risks, time invested, and other factors:  
The remuneration of the Independent Director approved by the Board of Director on 2016.07.04 based on market standard. As the result, the Independent Director will not participate in the bonus distribution.
- Remuneration paid to Corporation directors by all companies included in financial statements for services (such as non-employee consultants in parent company/all companies included in financial statement/reinvested companies and others) other than disclosed in the table above: None.

**Remuneration Bracket**

Unit: NT\$

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\$1,000,000	Carl Hsiao	Carl Hsiao	Carl Hsiao	Carl Hsiao
NT\$1,000,000 ~ NT\$2,000,000				
NT\$2,000,000 ~ NT\$3,500,000	Dawan Technology Co. Ltd. / Wen-Hwa Chang / Tze-Kaing Yang / Hsiu-Chi Chang / Ying-Ying Liao / Duei Tsai / Ming-Ling Hsueh / Tien-Fu Lin	Dawan Technology Co. Ltd. / Wen-Hwa Chang / Tze-Kaing Yang / Hsiu-Chi Chang / Ying-Ying Liao / Duei Tsai / Ming-Ling Hsueh / Tien-Fu Lin	Dawan Technology Co. Ltd. / Wen-Hwa Chang / Tze-Kaing Yang / Hsiu-Chi Chang / Ying-Ying Liao / Duei Tsai / Ming-Ling Hsueh / Tien-Fu Lin	Dawan Technology Co. Ltd. / Wen-Hwa Chang / Tze-Kaing Yang / Hsiu-Chi Chang / Ying-Ying Liao / Duei Tsai / Ming-Ling Hsueh / Tien-Fu Lin
NT\$3,500,000 ~ NT\$5,000,000				
NT\$5,000,000 ~ NT\$10,000,000				
NT\$10,000,000 ~ NT\$15,000,000	Chuan Lin	Chuan Lin	Chuan Lin	Chuan Lin
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	10	10	10	10

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	Chuan Lin (Note)	11,844	13,198	324	324	4,092	4,431
General Manager	Sara Hou (Note)						
Senior Vice General Manager	Yu-Fang Hu						
Vice General Manager	Yong-Liang Wu (Note)						

Note: Chairman Chuan Lin was appointed to act as General Manager during the period from Jan 01<sup>st</sup> 2022 to April 17<sup>th</sup>, 2022; then Ms. Sara Hou has assumed as this position since Apr. 18<sup>th</sup>, 2022 after approval of Board of Directors dated on Mar. 09<sup>th</sup>, 2022. Vice General Manager Yong-Liang Wu retired on Jan. 31<sup>st</sup>, 2023.

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 or From Parent Company
		The Company		All Companies in the Consolidated Financial Statements		The Company	All Companies in the Consolidated Financial Statements	
		Cash	Stock	Cash	Stock			
General Manager	Chuan Lin (Note)	4,700	0	4,700	0	20,960 1.92%	22,653 2.07%	None
General Manager	Sara Hou (Note)							
Senior Vice General Manager	Yu-Fang Hu							
Vice General Manager	Yong-Liang Wu (Note)							

Note: Chairman Chuan Lin was appointed to act as General Manager during the period from Jan 01st 2022 to April 17th, 2022; then Ms. Sara Hou was assumed as this position since Apr. 18th, 2022 after approval of Board of Directors dated on Mar. 09th, 2022. Vice General Manager Yong-Liang Wu retired on Jan. 31st, 2023.

**Remuneration Bracket**

Unit: NT\$

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\$1,000,000	Chuan Lin	Chuan Lin
NT\$1,000,000 ~ NT\$2,000,000		
NT\$2,000,000 ~ NT\$3,500,000		
NT\$3,500,000 ~ NT\$5,000,000	Yong-Liang Wu	Yong-Liang, Wu
NT\$5,000,000 ~ NT\$10,000,000	Sara Hou/Yu-Fang Hu	Sara Hou/ Yu-Fang Hu
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	7	7

\*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, 2022; Unit: NT\$ Thousand

	Title	Name	Amount of stock dividend	Amount of cash dividend	Total	Portion of Net Income (%)
Managerial Officers	General Manager	Sara Hou	0	9,351	9,351	0.85
	Senior Vice General Manager	Yu-Fang Hu				
	Senior Assist Vice President	Da-Cheng Feng				
	Senior Assist Vice President	Shih-Chuan Lin				
	Senior Assist Vice President	Nai-Wei Liu				
	Assist Vice President	Hsiang-Ju Hung				
	Chief Legal and Compliance Officer	Shu-Fen Huang				
	Chief Human Resource Officer	Jen-Yang Chang				
	Chief Auditor	Yong-Min Jiang				
	Chief Financial Officer & Finance Officer	Kuo-Chiang Chang				
	Accounting Officer	Shu-Wen Wang				

**(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 (%)**

Unit: NT\$ Thousand

Item	The Company				All companies in the consolidated financial statements			
	2021		2022		2021		2022	
	Total Amount	/ Net income (%)	Total Amount	/ Net income (%)	Total Amount	/ Net income (%)	Total Amount	/ Net income (%)
Directors	30,858	3.71%	31,365	2.89%	31,648	3.80%	32,441	2.96%
General Manager, and Vice General Manager	30,202	3.63%	20,960	1.92%	32,158	3.87%	22,653	2.07%
Net Profit After Tax	831,893	—	1,094,391	—	831,893	—	1,094,391	—

The remuneration of Directors in 2022 was comparable to that in 2021 but the ratio of remuneration of Directors in 2022 was lower than that in 2021; this is due to net profit after tax in 2022 was higher than that in 2021; the remuneration of managerial officers in 2022 was lower than that in 2021 as net profit after tax in 2022 was higher than that in 2021 and the number of managerial officers in 2022 was less than that in 2021.

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

- (i) Policy, Standard and Composition of Remuneration

Article 31 of the Company's Articles of Incorporation prescribes that directors are entitled to remuneration upon performance of the Company's duties, regardless of profit or loss on the Company's business. Remuneration hereto shall be authorized to Board of Directors to determine accordingly based on director's participation and contribution to the Company as well as referred from industry's normal standards. In addition, pursuant to Article 28 of the Company's Articles of Incorporation, in the event of profits for current year, a maximum of 2 percent shall be allocated as director compensations. Remuneration of the Company's independent directors shall be submitted by the Remuneration Committee in accordance with the "Guidelines for Distribution of Director's Remuneration" for assessment and suggestions before being approved by Board of Directors without counting in directors' compensations. The remuneration of directors is regularly assessed in accordance with the Company's "Performance Assessment Guidelines for Board of Directors and Functional Committees", and the



performance and rationality of remuneration were proposed by the Remuneration Committee and submitted to the Board of Directors for approval.

Article 28 of the Company's Articles of Incorporation prescribes that, in the event of profits for current year, a payment from 0.5% to 10% of profits shall be disbursed as employee's remuneration. Manager's remuneration includes salary and bonus. Salary is determined under references of industry standards and items of job title, education (career) background, professional capability and responsibility as well as in accordance with the Company's "Salary Structure Table." While determination of bonus is based on the Company's "Guidelines of Performance Development Plan and Bonus" and is under considerations of assessment items for manager's annual performance such as achievement rate for annual target, core occupational capability indicators (trust and achievement-oriented, integrity and teamwork, active aggressiveness, ambition and customer-oriented), occupational capability management indicators, and deduction indicators for external crisis event based on the level of financial loss or goodwill loss. Meanwhile, annual revenue and profit after tax are also considered as indicators for assessment. Distribution of the Company's manager remuneration is submitted by the Remuneration Committee, under considerations of items such as the Company's operating profit and net profit, and with its suggested distribution principles, to the Board of Directors for approval.

The composition of the Company's remuneration is determined in accordance with the organizational regulations of the Remuneration Committee, including cash remuneration, stock options, dividends, pensions or resignation pay, allowances and other substantial incentives; and the scope of the remuneration is consistent with the regulations governing information to be published in annual reports of public companies.

(ii) Procedures of Compensation Establishment

Salary and compensation for directors and managers are implemented in accordance with aforementioned compensation policy and standards. In terms of establishment of director's compensation, performance assessments over Board of Directors, directors and functional committees are conducted accordingly in accordance with the Company's "Performance Assessment Guidelines for Board of Directors and Functional Committees" with assessment items such as mastering of the Company's goals and missions, awareness of director's responsibilities, level of participation in the Company's operations, management and communication of internal relationship, director's continued learning and internal control. In terms of Chairman's compensation, extent of annual salary adjustment will be measured in accordance with performance (such as operation achievement, corporate governance and so on), recommended by Salary and Compensation Committee and submitted to Board of Directors' Meeting for approval. As for manager's bonus, manager's annual performance will be evaluated based on the Company's "Performance Development Plan and Performance Bonus Assessment Guidelines" and recommended by Salary and Compensation Committee before being

submitted to Board of Directors' Meeting for approval.

Based on 2022 performance self-assessment results on Board of Directors' Meeting, members of directors and functional committees, the Company's Board of Directors' Meeting and functional committees have all demonstrated excellent operations. With the Company's effort and excellent performances from the Board of Directors' Meeting and management team in 2022, both revenue and profits had increased dramatically, reaching 109.55% of the whole year profit before tax budget target.

Related performance review and rationality of compensation for the Company's directors and managers have been assessed and reviewed routinely every year by Salary and Compensation Committee and Board of Directors' Meeting. In addition to references of individual performance achievement rate and level of contribution to the Company, references from the Company's overall operation performance, industry future risks and development trends are also adopted in offering reasonable compensations based on the Company's compensation policy. Actual compensation amounts distributed to directors and managers in 2021 had all been reviewed by Salary and Compensation Committee and approved by Board of Directors' Meeting. Total amount and individual amounts for 2022 director's compensation were approved by Board of Directors' Meeting dated March 14th, 2023. After total employee compensation amount was approved by Board of Directors' Meeting dated March 14th, 2023, individual bonuses for managers will be submitted, in accordance with the Company's "Performance Development Plan and Performance Bonus Assessment Guidelines," to Salary and Compensation Committee and Board of Directors' Meeting for approval.

(iii) Relevance with Operation Performance and Future Risks

Review over the Company compensation policy's related payment standards and system is mainly under consideration of the Company's overall operation status, and payment standards are determined based on performance achievement rate and level of contribution for the purpose of enhancing Board of Directors' Meeting and management department's overall team efficiency. Additionally, industry's normal standards are also taken into consideration to ensure compensation of the Company's management level is competitive in this industry so that management talents can be maintained accordingly. Manager's performance targets of the Company are connected with points deduction standards over material external risk events (grades for financial or reputation loss) to ensure potential risks within scope of responsibilities can be managed and prevented. Management's critical decisions are made after evaluation of various risk factors, and performance of related decisions are reflected on the Company's profits.

### 3. Implementation of Corporate Governance

#### (1) Information for the Board of Directors

The meeting of Board of Directors has been held for 6 times in year 2022 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	Chuan Lin	6	0	100.00	
Vice Chairman	Wen-Hwa Chang	6	0	100.00	
Director	Dawan Technology Company Limited. Representative: Carl Hsiao	6	0	100.00	
Director	Tze-Kaing Yang	5	1	83.33	
Director	Hsiu-Chi Chang	6	0	100.00	
Director	Ying-Ying Liao	6	0	100.00	
Independent Director	Duei Tsai	6	0	100.00	
Independent Director	Ming-Ling Hsueh	6	0	100.00	
Independent Director	Tien-Fu Lin	6	0	100.00	

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: The Company has established Audit Committee, which is applicable of Article 14-5 of Securities and Exchange Act, hence this subparagraph is not applicable.
- 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: None.

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
Mar. 09, 2022	Carl Hsiao	Authorization to invested company	The director of the Company is a	The director recused himself

Date	Name	Contents of Proposal	Reason for Conflict of Interest Avoidance	Participation in Voting
		regarding distribution of the Company's products.	director for an invested company.	from the voting due to a conflict of interest.
Mar. 09, 2022	Chuan Lin Wen-Hwa Chang Carl Hsiao Tze-Kaing Yang Hsiu-Chi Chang Ying-Ying Liao	Discussion of Year 2022 Remuneration for the Company's Directors.	Remuneration of Directors	The aforementioned directors recused themselves from the voting due to a conflict of interest.
Mar. 09, 2022	Lin, Chuan	Discussion of Fixed Remuneration for the Company's Chairman.	Discussion of Chairman's remuneration	Chairman of the Company recused himself from voting due to a conflict of interest.
Aug. 05, 2022	Chuan Lin Wen-Hwa Chang Carl Hsiao	Intention to distribute compensation to the Company's subsidiary director representative upon performance of the year 2021 director duty.	The directors of the Company are directors of invested companies, and receive the remuneration for exercising the duty and power of Directors for invested companies.	The directors recused themselves from the voting due to a conflict of interest.
Dec. 23, 2022	Carl Hsiao	Commissioning of the Company by an invested company to provide product marketing research and investigation consulting services.	The Director of the Company are a director for an invested company.	The director recused himself from the voting due to a conflict of interest.
Dec. 23, 2022	Chuan Lin Carl Hsiao	Subsidiary Leased Office from The Company and adjustment of rental area.	Both directors of the Company were directors for a subsidiary.	The directors recused themselves from the voting due to a conflict of interest.

C. The Company's disclosure of information for assessment cycle and period, scope of assessment, measures and contents of assessments for the Board of Directors' self (or peer) assessment:  
 Situation for Execution of Board of Directors Assessment

Cycle of Assessment	Period of Assessment	Range of Assessment	Method of Assessment	Content of Assessment
Once a year	2022.01.01   2022.12.31	Performance assessments on the Board of Directors as a whole, individual director member and functional committees (including Audit Committee, Remuneration Committee and Sustainable Development Committee)	Self-assessments by the Board of Directors, functional committees and members of directors	<p>Under considerations of the Company's conditions and demands the Company hereby establishes measurement items for performance assessments over Board of Directors and functional committees, and these items shall include the following five major perspectives:</p> <ol style="list-style-type: none"> <li>(1) Level of participation to the Company's operations</li> <li>(2) Enhancement on Board of Directors' decision quality</li> <li>(3) Composition and structure for Board of Directors</li> <li>(4) Director's election and continuous education</li> <li>(5) Internal Control</li> </ol> <p>Measurement items for director member's performance assessment shall include the following six major perspectives:</p> <ol style="list-style-type: none"> <li>(1) Mastering of the Company's goal and mission</li> <li>(2) Knowledge of director's duties and responsibilities</li> <li>(3) Level of participation to the Company's operations</li> <li>(4) Management and communication of internal relationship</li> <li>(5) Director's professionalism and continuous education</li> <li>(6) Internal Control</li> </ol> <p>Measurement items for functional committee's performance assessment shall include the following five major perspectives:</p> <ol style="list-style-type: none"> <li>(1) Level of participation to the Company's operations</li> <li>(2) Knowledge on functional committee's duties and responsibilities</li> <li>(3) Enhancement of functional committee's decision quality</li> <li>(4) Composition and member</li> </ol>

Cycle of Assessment	Period of Assessment	Range of Assessment	Method of Assessment	Content of Assessment
				<p>election for functional committee</p> <p>(5) Internal control</p> <p>Please refer to the Company's website for details of Performance Assessment Guidelines for Board of Directors and Functional Committee and year 2022 audit result.</p>

The company's year 2022 self-evaluation results of the board of directors and functional committees were reported to the Remuneration and the Board of Directors on March 14<sup>th</sup>, 2023 as the basis for review and improvement. The average score of the board's performance self-evaluation is 4.85 points (out of 5 points); the average score of directors' performance self-evaluation is 4.90 points (out of 5 points); the average score of auditing committee self-evaluation is 4.94 points (out of 5 points) and the remuneration committee and sustainable development committees' self-evaluation are full points. Based on the evaluation of directors, the board of directors and functional committees are functioning well.

- D. 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:
- a. On June 24, 2016, the Company established Audit Committee which is responsible for performing supervisor's duties prescribed in related laws and regulations.
  - b. 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.
  - c. 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.
  - d. 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.
  - e. 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.
  - f. To realize corporate governance, environmental sustainability, social welfare, corporate sustainability, and CSR, on October 7th, 2019, the Sustainable Development Committee was established under the Board of Directors.
  - g. To reduce the uncertain threats for business and conduct risk management, the Risk Management Center was established under the Sustainable Development Committee on December 28<sup>th</sup>, 2020.
  - h. Quarterly financial reports have submitted and reviewed the Audit Committee and have

approved by the Board of Directors since the first quarter of 2021.

- i. For the purpose of strengthening the supervision of Board of Directors, the meeting process of all functional committees (including Sustainable Development Committee, Audit Committee, and Remuneration Committee) shall be submitted and reported to the Board of Directors since December, 2021.
- j. The related information of corporate governance has been disclosed on the Company's website.

## (2) Function of Audit Committee

The Audit Committee is comprised of the three independent directors. Its professionalism and experiences can be refer to "Professionalism, Diversity and Independence of Directors" on page 17-24.

The duties and responsibilities of Audit Committee include the deliberation of financial reports , 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 year 2022 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 5 times in year 2022 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 (Convener)	Ming-Ling Hsueh	5	0	100.00	
Independent Director	Duei Tsai	5	0	100.00	
Independent Director	Tien-Fu Lin	5	0	100.00	

### ② Audit Committee deliberations

In year 2022, the committee reviewed a total 11 proposals and deliberated a total of 21 proposals,

#### Reviewed Items

- (i) Preparation of Financial report capability improvement plan and progress
- (ii) Internal audit reports
- (iii) Risk management (including TCFD) reports
- (iv) Audit plan report of CPA audit reports
- (v) Material business transaction report

#### Deliberated Items

- (i) Matters involving conflicts of interest of directors
- (ii) Business report, earning distribution statement, and quarterly financial reports

- (iii) CPA independence, appointment, and remuneration
- (iv) Amendment of important rules and regulations
- (v) Amendment of the internal control system
- (vi) Evaluation of internal control system effectiveness
- (vii) Endorsement and guarantee to a subsidiary
- (viii) Appointment of Chief Auditor

**③ Key tasks of the Audit Committee**

(i) Review of financial reports

The board of directors has compiled and submitted the Company's year 2022 Business Report, Financial Reports (including the Consolidated Financial Reports), and the earnings distribution proposal. The Financial Statement (including the Consolidated Financial Statement) has already been audited by two CPAs (Yi-Lien Han and Shu-Ying Chang) of KPMG Taiwan and an audit report has been issued. The aforementioned reports and statements have been audited and verified by the Audit Committee.

(ii) 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.

(iii) Appointment of CPA

● Formulation of the Company's "General Principles of Pre-Approval Policy on Non-assurance Service"

According to the norms revised by the International Ethics Standards Board of Accountants (IESBA), the certified accounting firm appointed by the client to provide non-assurance services to the client, its affiliates, and individuals directly or indirectly controlled by the client, should be pre-approved by the governance unit (Audit Committee and Board of Directors) of the client, so that the governance unit can supervise the independence of the certified accounting firm. On December 23, 2022, the Company's "General Principles of Pre-Approval on Non-assurance Service" has been reviewed by the Audit Committee and approved by the board of directors.

● Appointment of KPMG Taiwan to provide regular assurance service and non-assurance service for year 2023

According to the Company's "General Principles of Pre-Approval Non-assurance Service", KPMG Taiwan has been approved by the Auditing Committee and Board of Directors to provide audit assurance service and non-assurance service for year 2023.

● Assessment of Independence and professional qualification of CPAs for year 2023

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, (Ms. Yi-Lien Han and Ms. Shu-Ying Chang from KPMG Taiwan) in charge of audits of the financial statements for year 2023 while Ms. Zhi Chang from KPMG Taiwan in charge of tax reports of year 2023 and business tax adjustment applying direct deduction method from year 2021 to year 2023 were reviewed by the Audit Committee on Dec. 23, 2022 and approved by the Board.

(iv) 2022 committee operations

Audit Committee 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	
Mar 09, 2022 (5 <sup>th</sup> Meeting for the 3 <sup>rd</sup> Session)	1. Year 2021 Business Report and financial statements	✓		
	2. Year 2021 Profit Distribution			
	3. Year 2022 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.	✓		
	4. Formulation of the year 2021 Internal Control Statement.	✓		
	5. Planned revision of Procedures for Acquisition or Disposal of Assets of the Company.	✓		
	6. Proposal of Transfer Price for Invested Company's Distribution Agency Products Under the Company's Authorization.	✓		
	Objections, reservations or major opinion of independent directors: None.			
	Result from Audit Committee's opinions Approved unanimously as proposed by all attending committee members.			
The Company's handling of Audit Committee's opinions (Mar.09 <sup>th</sup> , 2022): The 1 <sup>st</sup> to 5 <sup>th</sup> resolutions were approved unanimously as amended by all attending directors; The 6 <sup>th</sup> resolution was approved unanimously as proposed by all attending directors except Director Carl Hsiao who recused himself due to a conflict of interest.				
May 13,2022 (6 <sup>th</sup> Meeting for the 3 <sup>rd</sup> Session)	1. The Consolidated Report for the first quarter of year 2022.			
	2. Commissioning of the Company by a Subsidiary to add new commissioned items for development.			
	3. Endorsement and guarantee to a subsidiary.	✓		
	Objections, reservations or major opinion of independent directors: None.			
	Result from Audit Committee's resolution : Approved unanimously as proposed by all attending committee members.			
The Company's handling of Audit Committee's opinions (May 13 <sup>th</sup> ,2022): Approved unanimously as proposed by all attending directors.				

Audit Committee 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
Aug 05,2022 (7 <sup>th</sup> Meeting for the 3 <sup>rd</sup> Session)	1. The Consolidated Report for the second quarter of year 2022.		
	2. Amendment of "Other Management System-management of related party transactions" under Internal Control System and Internal Audit System.	✓	
	Objections, reservations or major opinion of independent directors: None.		
	Result from Audit Committee's resolution: Approved unanimously as proposed by all attending committee members.		
	The Company's handling of Audit Committee's opinions (Aug. 05, 2022): Approved unanimously as proposed by all attending directors.		
Nov 04,2022 (8 <sup>th</sup> Meeting for the 3 <sup>rd</sup> Session)	1. The Consolidated Report for the third quarter of year 2022.		
	2. Amendment of "Other Management System-Management of operation of board meetings".	✓	
	3. Change of Chief Auditor	✓	
	Objections, reservations or major opinion of independent directors: None.		
	Result from Audit Committee's resolution: Approved unanimously as proposed by all attending committee members.		
The Company's handling of Audit Committee's opinions (Nov. 04 <sup>th</sup> , 2022): Approved unanimously as proposed by all attending directors.			
Dec 23,2022 (9 <sup>th</sup> Meeting for the 3 <sup>rd</sup> Session)	1. Commissioning of the Company by an invested company to provide product marketing research and investigation consulting services.	✓	
	2. Subsidiary Leased Office from The Company	✓	
	3. Proposal of internal auditing plan for 2022.	✓	
	4. Planned Amendment of "The Policy and Procedure of Risk Management"		
	5. Planned formulation of "Principles of Pre-Approval Policy on Non-Assurance Service"		
	6. Commissioning of KPMG on regular assurance service and non-assurance service for year 2023.	✓	
	7. Year 2023 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.	✓	
	Objections, reservations or major opinion of independent directors: None.		
	Result from Audit Committee's resolution: Approved unanimously as proposed by all attending committee members.		
	The Company's handling of Audit Committee's opinions(Nov 04, 2021): The 1 <sup>st</sup> resolution was approved unanimously as proposed by all attending directors except Director Carl Hsiao who recused himself due to a conflict of interest; The 2 <sup>nd</sup> resolution was approved unanimously as proposed by all attending directors except Chairman Chuan Lin and Director Carl Hsiao who recused themselves due to a conflict of interest. The 3 <sup>rd</sup> to 7 <sup>th</sup> resolutions were 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 shall state the date of meeting, period, content of resolution, objection, reservation or major opinion provided by independent directors, result from Audit Committee, and the Company's handling of Audit Committee's opinion. Detailed description of year 2022 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 Auditor:

The Company has established "Procedures of Communications between Audit Committee and Chief Auditor", and the Chief Auditor shall report internal audit results, communication and review results, the implementation, tracks and performance, and discussion of annual auditing plan to the independent directors in Audit Committee meetings at least on a quarterly basis. In addition, independent directors shall hold close door session with the Chief Auditor with comprehensive communication upon the issues concerned by the independent directors. Independent Directors shall evaluate the performance of internal audit unit annually and highlight the auditing focus for next year. Two-way communication is also 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:

The Company has established "Procedures of Communications between Audit Committee and audit CPAs", and CPAs appointed by the Company attend Audit Committee meetings on a quarterly basis to communicate the results of review and audits of financial reports issued by the Company and its subsidiaries, adjustment of entries, or impacts of accounting principle updates on financial statements. They also discuss internal control audit conditions and independence related matters with independent directors. Before conducting auditing, CPAs will report the audit plan to Audit Committee. In addition, CPAs will conduct close door session with Audit Committee annually, discussing major issues related to the audit and the response from the management or other important matters. Please refer to the Company's website on details of such communications.

### (3) Remuneration Committee Composition, Responsibilities and Operation:

#### ① The Member of Remuneration Committee

Dec. 31, 2022

Qualification		Professionalism and Experience	Independence Attributes	Number of Remuneration Committee member Posts Held Concurrently for Other Publicly Listed Companies
Title / Name				
Independent Director (Convener)	Duei Tsai	Please refer to the “Professionalism, Diversity, and Independence of Directors” on Page 17-24.		3
Independent Director	Ming-Ling Hsueh			4
Independent Director	Tien-Fu Lin			0
Others	Wen-Jeng Lin	Mr. Lin possess a PhD degree in Industrial Relations and Human Resource Management, Michigan State University, USA. He currently serves as an associate professor of graduate institute of Human Resource Management in National Central University and adjunct associate professor of Business Administration Department in National Taiwan University, a columnist of “Manager today”, Chairman of Labor Data Research Foundation, a committee member of “Talk with Society” under Minister of Labor, Taiwan. He has awarded “Elite of Human Resources Management” from Chinese Huamn Resource, “Excellence in Teaching Award”, “The	The member of the Remuneration Committee Lin, Wen-Jeng conforms to the independence requirements set forth in Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. Other relevant details are as follows, 1. Mr. Lin does not hold any shares of the Company. In addition to currently serving as the Remuneration Committee memeber of TTY Biopharm, he holds a concurrent appointment as an associate professor of	3

Qualification		Professionalism and Experience	Independence Attributes	Number of Remuneration Committee member Posts Held Concurrently for Other Publicly Listed Companies
Title / Name				
		<p>Most Popular Teacher in EMBA” from Career Magazine. Mr. Lin had served as institute director of Graduate Institute of Human Resource Management, Chief Executive Officer of EMBA, and associate director of Chinese Human Resource Management Association. He specializes in payroll management, talent management, training and development, team building, and leadership. He is the author of textbooks such as “Payroll systems and management” and “International Human Resource Management”</p>	<p>graduate institute of Human Resource Management in National Central University, a member of Remuneration Committee of Amed advanced medication Co., Ltd., independent director, the member of the Auditing Committee and the Remuneration Committee for Young Qin International Co., Ltd. and Mayo Human Capital Inc. respectively. Aforementioned companies and institutions have no relationship with TTY Biopharm.</p> <p>2. Mr. Lin’s spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship do not serve as directors, supervisors, or managers of this Company or one of its affiliates or hold an aggregate of one percent or more of the total number of issued shares of the company or rank in the top 10 in holdings.</p>	

## ② Operation of the Remuneration Committee

(i) The Company's Remuneration Committee is composed of with 5 members, including 3 independent directors and 2 external experts based on the board resolution dated on Aug 25th, 2021. After Mr. Te-Yu Chou resignation on March 31<sup>st</sup>, 2022, there are 4 members of Remuneration Committee.

(ii) The tenure for the members of the Remuneration Committee is from Aug. 25, 2021 to Aug. 24, 2024. In the most recent year, 2 meetings had been held and their qualification and attendances illustrated as follows:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Convener	Duei Tsai	2	0	100.00	
Committee member	Ming-Ling Hsueh	2	0	100.00	
Committee member	Tien-Fu Lin	2	0	100.00	
Committee member	Wen-Cheng Lin	2	0	75.00	
Committee member	Te-Yu Chou	1	0	50.00	Resigned on March 31 <sup>st</sup> , 2022.

(iii) Matters of duties for the Company's Remuneration Committee

The Company's Remuneration Committee shall assess director and manager's salary and remuneration policy and system based on its professional and objective status. Meetings shall be held at least twice per year and shall be convened at any time if needed in order to present recommendations to Board of Directors for references of its decision-making.

- Duties and responsibilities for the Company's Remuneration Committee:
  - a. Establish policies, systems, standards and structures for director and manager's performance assessment and salary and remuneration and reviewed periodically.
  - b. Periodically assess and establish director and manager's salary and remuneration.
  - c. Periodically review related matters of organization charts which shall be provided to Board of Directors for reference.
- Remuneration Committee's performance of duties shall be conducted in accordance with the principles hereunder:
  - a. Director and manager's performance assessment and salary and remuneration shall take references from industry's normal standards, and shall consider reasonable connection with individual's performance, the Company's operation performance and future risks.
  - b. Director or manager shall not be directed to conduct actions exceeding the Company's risk tolerance for the purpose of pursuing salary or remuneration.
  - c. With respect to compensation distribute percentage for short term performance and time of payment for partial changes of salary or remuneration, determination shall be made under references of industry characteristics and the Company's business nature.
  - d. To ensure the company's salary and compensation systems comply with relevant laws and regulations and be able to attract outstanding talents.

- e. The content and amount of compensation for board of directors and managers should be considered reasonable and not deviated from financial performance materially.
- f. The Committee members shall not participate in discussion and vote on their personal salary compensation decisions.

(iv) The meeting date, the term, the contents of the Proposals, the Resolution result and the Company's feedback of Remuneration Committee's opinion in 2022.

Remuneration Committee	Contents of Proposal	Resolution result	Company's feedback of Remuneration Committee's opinion
5 <sup>th</sup> session 3 <sup>rd</sup> Meeting Mar 09, 2022	The Compensation for Employee in year 2021.	Approved unanimously by all attending committee members.	Submission to a board meeting on Mar 09, 2022 and unanimous approval by all directors in attendance
	The Compensation for Directors in year 2021.	Approved unanimously by all attending committee members.	Submission to a board meeting on Mar 09, 2022 and unanimous approval by all directors in attendance except the Chairman, Chuan Lin, the vice Chairman, Wen-Hwa Chang, the director, Carl Hsiao, the director, Tze-Kaing Yang, the director, Hsiu-Chi Chang and the director, Ying-Ying Liao who recused himself/herself from the voting due to a conflict of interest for director compensation for directors in 2021. The execution shall be conducted in accordance with resolutions and distribution of compensation has already been reported to competent authority within required period, and has been submitted to year 2022 annual general meeting for report accordingly.
	2022 Pay Raise Strategy.	Approved unanimously by all attending committee members and the pay will increase 4% for year 2022, and the proposal was submitted to the Board.	Submission to a board meeting on Mar 09, 2022 and unanimous approval by all directors in attendance

Remuneration Committee	Contents of Proposal	Resolution result	Company's feedback of Remuneration Committee's opinion
	Discussion of Fixed Remuneration for the Company's Chairman.	Approved unanimously by all attending committee members.	Submission to a board meeting on Mar 09, 2022 and unanimous approval by all attending directors except the Chairman, Chuan Lin, rescued himself from voting due to a conflict of interest.
5 <sup>th</sup> session 4 <sup>th</sup> Meeting Aug 05, 2022	Planned to launch employee stock ownership trust of the Company	The "Regulation of Employee Stock Ownership Trust" has been approved by all attending committee members with following revisions. Item 5 of Article 8 was revised as "The trust management fee was deducted from the trust account under trusted financial institution in accordance with the trust agreement. Item 1 of Article 9 was revised as "The holdings of shares in the trust account will be transferred into individual custody account directly after receiving application of termination from member. Slight wording adjustment for contents of Item 1 of Article 3, Item 3 of Article 6, Article 7, Item 2 of Article 9, and Article 10. Except for aforementioned revisions, other contents were approved unanimously by all attending	Submission to a board meeting on Aug 05, 2022 and unanimous approval by all attending directors.



Remuneration Committee	Contents of Proposal	Resolution result	Company's feedback of Remuneration Committee's opinion
		committee members and submitted to the Board.	
	Discussion over year 2021 Managerial Officer's Remuneration Distribution.	Approved unanimously by all attending committee members.	Submission to a board meeting on Aug 05, 2022 and unanimous approval by all attending directors.
	Intention to distribute compensation to the Company's assigned affiliates' director representative upon performance of the year 2021 director duty.	Approved unanimously by all attending committee members.	Submission to a board meeting on Aug 05, 2022 and unanimous approval by all attending directors except the Chairman, Chuan Lin, Vice Chairman Wen-Hwa Chang and Director Carl Hsiao rescued themselves from voting due to conflict of interests.

Other matters to be disclosed:

- A. If the Board does not accept or amend the suggestions of the Remuneration 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 Remuneration Committee (such as, when the remuneration resolved in the Board meeting is better than the remuneration recommended by the Remuneration Committee, shall state the differences and the reasons for the differences): None.
- B. If there is any opposition or reservation against the resolutions of the Remuneration Committee recorded or documented in writing, shall state the meeting date of the Remuneration Committee, the term, the contents of the motions, the opinions of all members, and handling the opinions of the members: None.

#### **(4) Sustainable Development Committee Composition, Responsibilities and Operation:**

For the purpose of fulfilling corporate governance, developing sustainable development and participating social welfare in order to implement corporate sustainable operation concept and fulfill corporate social responsibility, the Company hereby established Sustainable Development Committee on October 7th, 2019 in accordance with the Company's "Guidelines for Corporate Social Responsibility Practices." (Revised to "Guidelines for Sustainable Development Practices" on Dec. 24, 2021) This committee reports to the Board of Directors.

##### **① The Member and Authority of Sustainable Development Committee**

The Company's Sustainable Development Committee is composed of 5 directors which include 3 independent directors of Ming-Ling Hsueh, Duei Tsai and Tian-Fu Lin, Vice Chairman Wen-Hua Chang and Director Carl Hsiao. The Convener Ming-Ling Hsueh independent director is specialized in finance accounting, risk control and corporate governance. His qualifications meet with professional capabilities required by this Committee.

Sustainable Development Committee’s Duties and Responsibilities are as follows:

- (i) Establishment of the Company’s policy, goal, strategy and execution program for sustainable development. The so-called company sustainable development includes perspectives of environment (E), social (S) and governance (G)
- (ii) Review of execution and effectiveness of the Company’s sustainable development, amendment of strategy goal and related regulations and systems and periodical submission of report to Board of Directors.
- (iii) Other matters to be executed by this Committee under instruction from Board of Directors’ resolution.

**② Operation of Sustainable Development Committee**

- (i) Tenure for commissioners of this plenary is from August 25<sup>th</sup>, 2021 to August 24<sup>th</sup>, 2024. There were a total of 7 meetings held in the year of 2022. Attendance for commissioners is as follows:

Title	Name	Number of times attending in person	Number of times attending by proxy	Actual attendance rates (%)	Remark
Convener	Ming-Ling Hsueh	7	0	100.00	
Committee member	Duei Tsai	7	0	100.00	
Committee member	Tien-Fu Lin	7	0	100.00	
Committee member	Wen-Hwa Chang	7	0	100.00	
Committee member	Carl Hsiao	7	0	100.00	

The professionalism and experiences of the Committee’s members can be refer to “Professionalism, Diversity, and Independence of Directors” on Page 17-24.

- (ii) The meeting date, the term, the contents of the Proposals, the Resolution result and the Company's feedback of Sustainable Development Committee's opinion in year 2022

Sustainable Development Committee	Contents of Proposal	Resolution result	Company's feedback of Sustainable Development Committee's opinion
2 <sup>nd</sup> session 3 <sup>th</sup> Meeting Feb. 18, 2022	Discussion on the procedure of handling reporting case.	Approved by all committee members in accordance with the required items of Sustainable Development Committee and proposed for discussion next time. In addition, the reviewing results was submitted to the most recent the Board meeting.	Reported to a board meeting on 2022/03/09.
2 <sup>nd</sup> session 4 <sup>th</sup> Meeting Mar. 09, 2022	Review and Discussion on the investigation of reporting case.	Approved by all committee members except Director Carl Hsiao who recused himself due to a conflict of interest.	Reported to a board meeting on 2022/03/09.
2 <sup>nd</sup> session 5 <sup>th</sup> Meeting Mar. 17, 2022	Discussion on the follow-up of reporting case.	Approved by all committee members in accordance with the required items of Sustainable Development Committee except Director Carl Hsiao who recused himself due to a conflict of interest.	Reported to a board meeting on 2022/05/13.
2 <sup>nd</sup> session 6 <sup>th</sup> Meeting May. 13, 2022	Planned Formulation of the Company's "The Schedule of Greenhouse Gas Inventory and Verification "	Approved unanimously by all attending committee members.	Submitted to a board meeting on 2022/05/13 and unanimous approval by all attending directors.
2 <sup>nd</sup> session 7 <sup>th</sup> Meeting Aug. 05, 2022	Report Items	Acknowledged.	None.
2 <sup>nd</sup> session 8 <sup>th</sup> Meeting Nov. 04, 2022	Planned Amendment of the strategy target and working schedule of year 2023 for the Company's Sustainable Development Committee	Approved unanimously by all attending committee members.	Reported to a board meeting on 2022/11/04.
2 <sup>nd</sup> session 9 <sup>th</sup> Meeting Dec. 23, 2022	Planned Amendment of the Company's "Policy and Procedure of Risk Management".	Approved unanimously by all attending committee members.	Submitted to a board meeting on 2022/12/23 and approved by all attending directors.

**(5) 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			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. ( <a href="http://www.tty.com.tw">http://www.tty.com.tw</a> )	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 Prevention of Insider Trading” 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. The	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company establish and execute the risk control and firewall mechanism with the affiliated enterprise?	✓		<p>Company applies for the shareholder's list with more than 5% shareholding from Taiwan Depository &amp; Clearing Corporation on a quarterly basis, and 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 control list of major shareholders of the Company. It also maintains positive relationships with major shareholder.</p> <p>(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.</p>	No discrepancies
(4) Does the company develop internal specification to prohibit insiders from using undisclosed information from the market to	✓		<p>(4) Under compliance with existing regulations as well as practical business needs, the Company stipulates "Operating Procedures for the Processing of Material</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
buy or sell securities?			Internal Information and Prevention of Insider Trading” which shall serve as the basis for the Company’s critical information process and disclosure mechanisms. The Company also conducts online courses (twice a year) as well as physical courses (irregular) to promote importance and guidelines for internal critical information and prevention of insider trading to the Company’s employees, additionally, the Company also remind the importance and guidelines for internal critical information and prevention of insider trading to internal personnel via email on a monthly basis. “Operation Process for Internal Critical Information and Prevention of Insider Trading” is disclosed in the “Investor Column/Corporate Governance/Major Corporate Policies” on the Company’s website.	
3. Composition and responsibility of Board of Directors (1) Does the Board of Directors develop diversified guidelines, specific targets 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,”	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>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.</p> <p>According to the diversification policy formulated by the company, the goal of the composition of the board of directors is that in addition to having professional capabilities and experience in industry, finance, business, and investment, each gender shall account for more than 2 of the directors, and independent directors should not be less than one-third of the total directors.</p> <p>The current board of directors is comprised of nine directors. The two female directors account for 22% of the board membership, and three independent directors account for one-third of the board membership. All independent directors can serve for 3 terms of office continuously, reaching the target of diversification for our Board.</p> <p>The board directors have professional experience in</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>the fields of business, finance, accounting, and different industries. Chairman Chuan Lin has abundant experience in the fields of industry, government, academics, and international relations. Vice Chairman Wen-Hua Chang is highly familiar 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 Tzu-Chiang Yang served as President of CDIB Capital Group and Professor at Guanghai School of Management and National Chengchi University. He has professional expertise in the fields of investment and financial operations. Director Hsiu-Chi Chang has experience in the fields of production, sales, HR, development, and finance in the biotechnology industry. Director Ying-Ying Liao 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 Dui Tsai has</p>	



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 also voluntarily establish other functional committee apart from the	✓		<p>concurrent positions as member of the Audit Committee and Sustainable Development Committee, and Chairman of the Remuneration Committee. He has experience in the fields of business management, industry, government, and academia. Independent director Ming-Ling Hsueh concurrently serves as member of the Audit Committee, Sustainable Development Committee and Remuneration Committee. He has served as head of PwC Taiwan and currently holds a position as Executive Director of Taiwan Corporate Governance Association. His areas of expertise include financial accounting, risk control, and corporate governance. Independent director Tien-Fu Lin concurrently serves as member of the Audit Committee, Sustainable Development 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.</p> <p>(2) For the purpose of fulfilling corporate governance, developing sustainable environment and participating</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
remuneration committee and audit committee?			social welfare in order to implement corporate sustainable operation concept and fulfill corporate social responsibility, the Company hereby established Sustainable Development Committee on October 7th, 2019.	
(3) Does the Company establish Board of Directors' performance assessment guidelines and assessment measures, conduct periodic performance assessment each year, submit performance assessment results to Board of Directors, and utilize these results as references for individual director's salary and remuneration as well as for nomination of continued tenure?	✓		(3)The Company established "Performance Assessment Guidelines for Board of Directors and Functional Committees" on December 29th, 2016. The Guidelines hereto prescribe that performance assessment on Board of Directors shall be conducted at least once per year, Assessment period is at the end of each year and annual performance assessment for that year shall be conducted in accordance with the Guidelines hereto. Assessment result shall be reported to Board of Directors in the first quarter of next year, and shall serve as reference basis for selecting or nominating directors. Performance assessment result for individual director shall serve as reference basis for determination of individual's salary and remuneration. The performance evaluation of the board of directors is performed externally by professionals and independent organization or	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>external experts and scholar team at least once within 3 years. The Company has commissioned the Taiwan Corporate Governance Association to perform the external evaluation of board in September, 2021 and the evaluation results are:</p> <p>① The Chairman respects the professionalism of directors, and the independent directors has been consulted specifically as the 3<sup>rd</sup> party opinions, increasing the efficiency of the decision-making process for the resolutions. The 3 independent directors performed their duties in a proactive manner to ensure a positive board culture.</p> <p>② The Company has established Sustainable Development Committee subordinate the board of directors, which reports the implementation of current year and working plan for the following year at the end of each year with a view to effectively increasing synergy in the communication and execution of corporate sustainability and social responsibility strategies and actions by respective units.</p> <p>③ TTY Biopharm organizes board luncheons or invites board members to visit plant sites on a non-</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>periodic basis. Intensive interactions between the management level and the board are conducive to maximum effectiveness of independent director functions.</p> <p>The Company collects the self-assessment questionnaire in January every year, and the self-assessment will be conducted by the agenda working group of each functional committee. The Company completed year 2022 Board of Directors and functional committee performance assessments in January 2023, and submitted assessment results to Remuneration Committee for review and to Board of Directors for report on March 14<sup>th</sup>, 2023. The average score of the Board's self-evaluated performance is 4.85 out of 5, and the average score of directors' self-evaluated performance is 4.90 out of 5; the average score of Audit Committee's self-evaluated performance is 4.94 out of 5, while the self-evaluation of both the Remuneration Committee and the Sustainable Development Committee are full points. After assessment of directors, the board of directors and functional Committee have performed well. Please refer to "III. Corporate Governance Report/ 3.</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Does the company routinely assess the independence of attesting CPA?	✓		<p>Implementation of Corporate Governance/Situation for Execution of Board of Directors Assessment” of this report for details of performance assessments for Board of Directors and functional committees.</p> <p>(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. 2023 annual qualification review result was submitted to the Audit Committee and the Board of Directors’ Meeting on Dec 23<sup>th</sup>, 2022 and was approved after review. Financial statement was audited by KPMG accountants Yi-Lien Han, and Shu-Ying Chang and tax report for year 2023 and business tax adjustment filing through direct deduction method for year 2021 to year 2023 by accountant Chih Chang 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 requirements with respect to independence and adequacy. These three accountants also issue statements declaring their audits qualify for related</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			independence requirements on accountant occupational ethics norms.	
4. If exchange-listed and OTC-listed companies are equipped with competent and appropriate number of corporate governance personnel, and if corporate governance head has been assigned to take charge of the Company's corporate governance related matters (including but not limited to providing director and supervisor with materials needed to execute business, assisting director in regulation compliance, conducting related matters of Board of Directors and shareholders' meeting in accordance with laws, establishing minutes for Board of Directors and shareholders' meeting, and so on)?	✓		<p>The appointment of Mr. Kuo-Chiang Chang, Chief Finance Officer, as Corporate Governance Officer of the Company was approved by board resolution on March 26, 2019. He has many 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, Sustainable Development 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.</p> <p>Business execution for year 2022 is as follows:  (1) Assistance to independent director and executive director in duty performance, provision of materials needed and arrangement of learning courses for director:  ① After the Company's announcement of material</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>information, notify respective directors immediately via emails to ensure director’s real-time awareness of the Company’s material information.</p> <p>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.</p> <p>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.</p> <p>④ In addition to non-scheduled offering of research and training unit’s courses to directors for reference and assistance in registration, “teaching at home” courses are also offered. A total of 2 courses with 6 hours were conducted in 2022.</p> <p>⑤ Arrange Chief Auditor and CPAs to communicate</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>with the Audit Committee and independent directors on an annual basis, and this communication for year 2022 was conducted on December 23, 2022. Additionally, assistance on contacting and communicating with respective parties in the event that independent directors have needs for communication in other time.</p> <p>(2) Assist in meeting procedures and regulation compliance matters for the Board of Directors' Meeting, the Audit Committee, Sustainable Development Committee and Shareholders' Meeting:</p> <p>① Corporate governance assessment for year 2021 result was reported in the Board of Directors' Meeting dated May 13, 2022. Non-executed corporate governance items were reviewed to enhance corporate governance capability and strengthen corporate sustainable development.</p> <p>② Formulate the strategies of corporate sustainable development and the year of 2023 sustainable development plan and submit them to the Sustainable Development Committee and the Board of Directors on December 23, 2022.</p> <p>③ Ensure the holding of the Company's Board of</p>	



Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>Directors' Meeting, Audit Committee, Sustainable Development Committee and Shareholders' Meeting complies with related regulations and corporate governance guideline requirements.</p> <p>④ 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.</p> <p>⑤ Assist respective units in making proposal to the Board of Directors' Meeting.</p> <p>⑥ Establish Board of Directors' Meeting, Audit Committee meeting and Sustainable Development 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.</p> <p>⑦ Notification to directors and managerial officers to</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>suspend trading the Company's shares prior 30 days of announcement of annual financial report and prior 15 days of announcement of quarterly financial reports.</p> <p>⑧ 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.</p> <p>⑨ Assist chairman in presiding Board of Directors' Meeting, Audit Committee meeting, Sustainable Development Committee meeting and Shareholders' Meeting for the purpose of smooth execution of the meeting.</p> <p>⑩ 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.</p> <p>(3) Maintain Investor Relationship:</p> <p>① Actively notify institutional investor of related information after the Company's announcement of financial information.</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>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.</p> <p>③ Participate in domestic and offshore investor meeting and investment forum (participations of total 4 times in year 2022), and report the Company's financial business status and operation performance to investors to ensure in-depth understanding of the Company.</p> <p>(4) Conduct company change registration Please refer to Chart 2 in the appendix for details of education situations for the Company's governance head.</p>	
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	✓		The Company has multiple communication channels in place for different operations. A "Sustainability" section has been created on the company website in "Corporate Social Responsibility" section 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	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
stakeholders?			<p>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.</p> <p>Each year, the Company's Sustainable Development Promotion Center shall report situations of its communication with respective stakeholders to the Sustainable Development Committee and Board of Directors. On March 14<sup>th</sup>, 2023, the Sustainable Development Promotion Center has reported to the Sustainable Development Committee and Board of Directors regarding to situations of communication with stakeholders. Please refer to "Sustainability/Stakeholder" section on the Company's website for details.</p>	
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?	✓		(1) The Company discloses information on financial operations and corporate governance on website.	No discrepancies
(2) Does the company adopt other information	✓		(2) The Company has established an English website and	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
<p>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?)</p> <p>(3) Has the Company made public announcement and report of annual financial statements within two months after end of accounting year? Have public announcements and report of financial statements for Q1, Q2 and Q3 as well as operation situations for respective months been made prior to required deadlines?</p>	✓		<p>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.</p> <p>(3) The Company has not made public announcement and report of annual financial report yet within two months after end of accounting year. Nevertheless, public announcements and reports of financial report and operation situations for respective months have already been made prior to required deadlines.</p>	No significant discrepancies.
<p>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</p>	✓		<p>(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</p>	No discrepancies

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
customer policy, and company buying liability insurance for directors and supervisors)?			<p>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.</p> <p>(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. Additionally, the Company participates in domestic investor conferences, oversea roadshows and investment forum to share the Company's financial business status and operation performance to</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>investors to ensure in-depth understanding of the Company.</p> <p>(3) Supplier 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 DMF which 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.</p> <p>(4) Stakeholders' Rights: The Company has set up email boxes for the reporting, contacting of investors and plants, and adverse drug reactions to ensure the sound handling of stakeholder affairs and safeguard shareholder rights and interests.</p> <p>(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 year 2022</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>please refer to Chart 3 in the appendix.</p> <p>(6) Execution of risk management policy and risk measurement standards: The Company has established Risk Management Center, which is subordinate to the Sustainable Development Committee, responsible for drafting “Risk Management Policy and Procedure” and implementing the company’s risk management. The company’s risk management operations was presented details in the “Corporate Governance/ Corporate Governance Operation” Section of the company’s website.</p> <p>(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.</p> <p>(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</p>	



Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>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, 2022. The Company therefore renewed coverage provided by AIG Asia Pacific Insurance Pte. Ltd. for another year from January 13, 2022 to January 13, 2023. The insurance amount is US\$ 8 million. Relevant details were reported in a board meeting on December 23, 2022.</p> <p>(9) 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.</p>	

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
<p>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.</p> <p>(1) Improvement in year 2022</p> <ul style="list-style-type: none"> <li>① The interim financial reports of the Company was approved by the Audit Committee and submitted to the Board of Directors for discussion and approval.</li> <li>② The annual general meeting will be held in May, 2023.</li> <li>③ Internal auditor possess certificates of CIA, CISA or CPA.</li> <li>④ Assessment of risk and opportunity resulted from climate change based on the scenario of RCP 2.6 with 2°C increase.</li> </ul> <p>(2) Improvement scheduled for year 2023</p> <ul style="list-style-type: none"> <li>① To obtain external verification of CHG inventory in May, 2023.</li> </ul>				
<p>Chart 1</p> <p style="text-align: center;">Review items of CPA's Independence and Adequacy</p> <div style="border: 1px solid black; padding: 5px;"> <p><b><u>Independence</u></b></p> <p>1. Did one of the followings occur within the last two years:</p> <ul style="list-style-type: none"> <li>(1) Neither an employee of the company nor the affiliated companies.</li> <li>(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.</li> <li>(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.</li> <li>(4) Not the spouse, relative(s) within the second degree of kinship or the relative(s) by blood within the fifth degree of consanguinity</li> </ul> </div>				

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>of any person indicated in the foregoing three categories.</p> <p>(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.</p> <p>(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.</p> <p>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:</p> <p>(1) Lack of direct or indirect major financial benefit relationship with the Company;</p> <p>(2) Lack of financing or guarantee behavior with the Company or director;</p> <p>(3) Lack of consideration on the possibility of losing customers;</p> <p>(4) Lack of close business relationship with the Company;</p> <p>(5) Lack of potential employment relationship with the Company.</p> <p>(6) Lack of relationship or public expense related to audited case.</p> <p>3. If accountant’s independence statement is obtained:</p> <p><b><u>Adequacy</u></b></p> <p>(1) Are accounting firm personnel equipped with knowledge on the Company’s business related industries or fields?</p> <p>(2) Do accounting firm personnel understand laws or regulations related to the Company’s businesses or necessary skills or knowledge?</p> <p>(3) Is accounting firm equipped with sufficient professional staff needed for audit on the Company?</p> <p>(4) Is accounting firm able to complete cases within agreed deadline?</p> <p>(5) Is accounting firm’s adequacy free from influences from the Company’s major events which will occur this year or in future years?</p> <p>(6) Is accounting firm engaged in conflict of interest with the Company’s future potential interests?</p>	

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

Chart 2

Advanced training received by corporate governance head in Year 2022

Date of Education		Organizer	Course Name	Education Hours	Total Education Hours for Current Year
From	To				
2022.07.20	2022.07.20	Securities and Futures Institute	Discussion and Issues on M&A integration	3.0	23.0
2022.07.27	2022.07.27	Taipei Exchange	Advocacy Seminar of Sustainable Development Roadmap	2.0	
2022.08.25	2022.08.25	Taipei Exchange	Advocacy Seminar of Insider Shareholding for OTC companies	3.0	
2022.09.07	2022.09.07	Securities and Futures Institute	The International Trend of Net Zero Emission and Transformation of prompting Net Zero in Taiwan.	3.0	
2022.09.16	2022.09.16	Taiwan Corporate Governance Association	Digital Investigation Analysis of Major Criminal Financial Case	3.0	
2022.10.12	2022.10.12	Taiwan Corporate Governance Association	Prevention of Insider Trading	3.0	
2022.10.19	2022.10.19	Taiwan Corporate Governance Association	The 18 <sup>th</sup> Corporate Governance Forum-Improvement the Functions of Directors for the Purpose of Sustainable Governance	6.0	

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

Chart 3

Advanced training received by directors in Year 2022

Title	Name	Organizer	Course Name	Education Hours
Chairman	Chuan Lin	Securities and Futures Institute	The International Trend of Net Zero Emission and Transformation of prompting Net Zero in Taiwan	3.0
		Taiwan Corporate Governance Association	How to Prevent Breaching of Trust and Non-regular Transaction upon Directors' decision	3.0
		Taiwan Corporate Governance Association	Prevention of Insider Trading	3.0
		Taiwan Corporate Governance Association	Protection of Trade Secrets and Prevention of Insider Trading	3.0
Vice Chairman	Wen-Hwa Chang	Securities and Futures Institute	The International Trend of Net Zero Emission and Transformation of prompting Net Zero in Taiwan	3.0
		Taiwan Corporate Governance Association	Prevention of Insider Trading	3.0
Director	Carl Hsiao	Taiwan Stock Exchange	Online Twin-Summit Forum	3.0
		Securities and Futures Institute	The International Trend of Net Zero Emission and Transformation of prompting Net Zero in Taiwan.	3.0
		Taiwan Corporate Governance Association	Prevention of Insider Trading	3.0
Director	Tze-Kaing Yang	Taiwan Corporate Governance Association	How to Prevent Breaching of Trust and Non-regular Transaction upon Directors' decision	3.0
		Taiwan Corporate Governance Association	Protection of Trade Secrets and Prevention of Insider Trading	3.0

Item			Operations		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
			Y	N		Summary and Description
Director	Hsiu-Chi Chang	Securities and Futures Institute			The International Trend of Net Zero Emission and Transformation of prompting Net Zero in Taiwan.	3.0
		Taiwan Corporate Governance Association			Prevention of Insider Trading	3.0
Director	Ying-Ying Liao	Taiwan Corporate Governance Association			Corporate Governance and Securities Regulations	3.0
		Taiwan Corporate Governance Association			Insights and Outlook of Global Economy and Finance	3.0
		Taiwan Corporate Governance Association			Risk Management for Fraud and Integrity Management	3.0
		Taiwan Corporate Governance Association			Prevention of Insider Trading	3.0
Independent Director	Duei Tsai	Securities and Futures Institute			External Innovation and Sustainable Management	3.0
		Securities and Futures Institute			Corporate Governance and Securities Regulations	3.0
		Securities and Futures Institute			The International Trend of Net Zero Emission and Transformation of prompting Net Zero in Taiwan.	3.0
Independent Director	Ming-Ling Hsueh	Taiwan Corporate Governance Association			Sharing of "Reference Manual for Audit Committee"	1.0
		Securities and Futures Institute			How to Identify and Avoid Landmine Stocks- the Adoption of Corporate Governance Risks	3.0
		Taiwan Corporate Governance Association			Year 2022 Economic Outlook- Global and Taiwan	1.0
		Yuanta Financial Holding Company Limited			Impact Analysis of Controlled Foreign Company (CFC) Rules and Global Minimum Tax System	1.5

Item			Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons	
			Y	N	Summary and Description		
		Taiwan Corporate Governance Association			Digital Transformation	3.0	
		Taiwan Securities Association			The Latest Update of Anti-Money Laundering / Countering the Financing of Terrorism (including Advocacy of Prevention of Insider Trading)	3.0	
		Taiwan Securities Association			Practice of strengthening the information security and risk management trend of financial institutions	3.0	
		Taiwan Securities Association			Principles of Fair Treatment, Protection and Empowerment for Financial Consumers	3.0	
		Taiwan Corporate Governance Association			Prevention of Insider Trading	3.0	
		Taiwan Corporate Governance Association			Year 2022 Corporate Governance Forum- Improvement the Functions of Directors for the Purpose of Sustainable Governance	3.0	
		Taiwan Corporate Governance Association			Merger and Acquisition – Case Sharing of Sino-American Silicon Products Inc.	3.0	
	Independent Director	Tien-Fu Lin	Taiwan Securities Association			How to Identify and Avoid Landmine Stocks- the Adoption of Corporate Governance Risks	3.0
			Taiwan Securities Association			The Latest Update of Anti-Money Laundering / Countering the Financing of Terrorism (including Advocacy of Prevention of Insider Trading)	3.0
			Taiwan Securities Association			Practice of strengthening the information security and risk management trend of financial institutions	3.0
			Taiwan Securities Association			Principles of Fair Treatment, Protection and Empowerment for Financial Consumers	3.0

Item	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			Taiwan Corporate Governance Association Prevention of Insider Trading	3.0

Chart 4

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

Title	Name	Certificates
Chief Auditor	Yong-Min Jiang	Certified Internal Auditor
Chief Auditor	Yong-Min Jiang	Certified Public Accountant of Taiwan, R.O.C.
Assistant Manager	Ru-Yi Chen	Certified Public Accountant of Taiwan, R.O.C.



**(6) Implementation of Sustainable Development and its difference from the “Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, and the reasons**

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
1. Does the company establish governance structure and promote full-time (part-time) corporate sustainable development department, where the Board of Directors authorize senior management to process and report to the Board of Directors of the processing?	✓		The Company established Sustainable Development Committee subordinated to the Board of Directors on October 7 <sup>th</sup> , 2019. The Corporate Sustainable Development Committee consists of the Sustainable Development Promotion Center, the Risk Management Center and the Ethical Operation Promotion Center. The 3 functional centers are authorized by the Board of Directors, and General Manager shall assume as the convener of all 3 functional teams. Among them, the Sustainable Development Promotion Center and Risk Management Center are staffed by Department of Finance and Department of Business and Project Management respectively, in charge of promotion of related affairs. Department of Finance is in charge of the administrative management of Ethical Operation Promotion Center. If any reports occur, the center will accept the report and initial investigation. Based on the identity of the accused person, an investigation team will consists of managers in various units, the details can be referred to “8. Implementation of Sustainable Development Promotion” in the table.	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
2. Does the Company conduct assessment of risks associated with environmental, social, and governance issues related to its operations, and has it adopted risk management policies or strategies in accordance with materiality principles?	✓		The company's board of directors passed a resolution on December 28, 2020. To formulate the "Risk Management Policy and Procedure" as the highest management policy for the company's risk management. The risk management center will identify the company through an identification and evaluation mechanism on a regular basis each year. Significant risks and formulate risk management strategies and implement the supervision and control of major risks in accordance with the strategy. The details can be referred to "8. Implementation of Sustainable Development Promotion" in the table.	No discrepancies
3. Environmental issues (1) Does the company establish proper environmental management system in accordance with its characteristics of industry?	✓		(1) The Company conforms to the environmental management mechanism for biopharmaceutical industry characteristics. Its plants have passed official inspections in Taiwan, Europe, the US, and Japan and have obtained PIC/S GMP certifications in numerous countries. In addition, we promote the Globally Harmonized System (GHS) of Classification and Labelling of Chemicals in all our plants by displaying material safety signs in working areas to indicate dangerous and hazardous substances employees are exposed to. The latest material safety data sheets are made available for perusal by employees in work locations. The ultimate goal lies in the enhancement of operational performance through the improvement of internal	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Does the company devote in the improvement on the utilization efficiency of various resources and use recycled materials with low environmental impact?	✓		<p>environments and the adoption of effective environmental protection measures.</p> <p>(2) The Company's execution complies with domestic related laws and discharge standards established accordingly. In terms of air pollutant material, natural gas boiler is utilized to replace consumption of low-sulfur heavy oil in order to reduce nitrogen dioxide emission effectively. In terms of waste water handling, the Company installs circulation system, collects water resources in cooling tower for recycle and re-use, improves cooling procedures, enhances heat recovery rate to lower needs for cooling water and carefully recycles and uses used water for cleaning. In terms of waste disposal, certified waste disposal vendors are commissioned to handle wastes within factories. Garbage classification is implemented rigorously and recycling rates are increased accordingly. The Company has introduced ISO-14064-1 greenhouse gas inventory and verification in 2022 and expect to be verified and certified in May 2023. After the greenhouse gas inventory and verification, the Company will comply with the verification as the guidelines of energy-saving and carbon-reduction, improving the energy efficiency in different sites.</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the Company assess existing and future potential risks and opportunities to enterprise from climate change and adopt counter measures related to climate issues?	✓		(3) In response to the rising awareness of global warming, extreme climate patterns, environmental protection, safety & health, and energy and ecological conservation, the Company has identified risks and opportunities generated by climate change. Concrete response strategies have been formulated based on risk identification results in the three main dimensions of water resource management and development, disaster responses and adjustments, and reinforced cooperation with cities and value chains. For a more detailed description, please refer to “9. Illustration of Environmental sustainability of the Company (1) Disclosure in response to climate change” in this chart.	No discrepancies
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and does it formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?	✓		(4) As a pharmaceutical industry that improves the quality of human life, we are fully aware that human health depends to a large extent on a favorable environment characterized by clean air and proper treatment of wastewater and solid waste. We have therefore adopted an environmental protection management approach which is based on environmental sustainability as the top priority in all operating activities. All suppliers are required to comply with the provisions set forth in our supplier management policy. We have also made an ongoing commitment to process optimization and economical	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			use of resources to minimize the impact of climate change risks. For a more detailed description, please refer to “9. Illustration of Environmental sustainability of the Company (2) Environmental Sustainability Policy” in this chart.	
4. Social issues				
(1) Has the Company formulated management policies and procedures in accordance with applicable laws and international human rights conventions?	✓		(1) We pay close attention to human rights related issues and strive to provide our employees with fair and safe working environments to minimize potential hazards and negative impacts. Our human rights policy has been formulated with reference to internationally recognized standards set out in the Universal Declaration of Human Rights, the Ten Principles of the UN Global Compact, and the United Nations Guiding Principles on Business and Human Rights. We place strong emphasis on fair treatment and respect for all stakeholders. For more details on our human rights policy, please refer to the dedicated section on “Sustainable Development/Employee Care” on our website.	No discrepancies
(2) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits) and reflected	✓		(2) ① Remuneration Article 28 of the Company’s Articles of Incorporation prescribes that 0.5% to 10% of profits shall be appropriated as	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
operation performance or achievements on employee's salary or remuneration?			<p>employee's remuneration in the event that the Company has obtained profits for that year. Nevertheless, amount for loss compensation shall be reserved in advance in the event that the Company still has accumulated losses. The Company has high emphasis on talents. Each year, senior employees are specifically recognized in public and gifts are awarded to show appreciation for employee's contribution. This is also an exhibition of TTY Biopharm Company's human-oriented initial commitment. In terms of retaining new employees, salary is determined in accordance with objective factors of each employee's previous experiences, capability possessed, and retaining position. The Company's salaries are based on the local basic salary, and the internal monthly minimum salary is set at NTD\$25,250 in year 2022, meeting the current basic salary requirement. After considering various conditions such as occupation category and education background, the stander salary of the company's grass-roots personnel has taken into account the ratio of the average salary of lowest rank to the basic salary, 1.48 times for women and 1.51 times for men, both are higher than the local basic salary. There's no difference due to gender and the average salary ratio of men to women was 1:1.074. In addition, TTY Biopharm also pay attention to the employee' annual salary adjustment and</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>promotion mechanism. Based on the internal performance appraisal of organization, the employees can obtain the best salary adjustment opportunities and the smoothest promotion channel.</p> <ul style="list-style-type: none"> <li>• Salary Structure: Different salary structure designs in accordance with attributes of duties.</li> <li>• Bonus Program: 0.5 month of salary will be rewarded for Mid-Autumn Festival and Dragon Boat Festival respectively each year and a 2-month full salary will be rewarded for Chinese New Year. In addition to regular bonus, there are separate performance bonuses distributed in accordance with the organization's internal performance review guidelines, the whole operations and individual's performance. The performance goal of employees shall be linked with the performance goal of department. Lastly, multiples for bonus shall be calculated accordingly under considerations of current year the Company's total revenue and after-tax net profit achievement in order to fulfill high degrees of connections between rewards and performance.</li> <li>• Annual Salary Adjustment: There will be two salary adjustment opportunities (performance salary adjustment, special salary adjustment). In year 2022, non-</li> </ul>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>managerial officer and managerial officer received an average of 2.5%~3.5% of salary adjustments.</p> <ul style="list-style-type: none"> <li>• Promotion Mechanism: The Company builds transparent promotion mechanism and activates talent retention project. Employees with excellent performance are recognized and promoted accordingly.</li> </ul> <p>② Diversity and Equality in the Workspace  Diversified human resources are the engine of the Company's continuous innovation. Due to the diversity of colleagues, such as different values, beliefs, races, ages, genders, experiences, and backgrounds, they have a higher vision and pattern. It is expected that colleagues to achieve self-positioning and value in the innovative organization, and continue to grow with the company, expanding career path and enriching life. The Company strives to foster an inclusive, non-discriminatory workplace where every colleague can fully utilize their skills, experiences and perspectives.  The biotechnology and pharmaceutical industry is a high-tech industry. The recruitment of employees of the company focuses on professional knowledge and technology, so the number of men and women is equal. In 2022, there were 232 male employees, accounting for 44.53%, and 289 women, accounting for 55.47%; in addition, for the purpose of</p>	



Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>promotion of equality in the employment environment, the Company has hired 6 aborigines and 4 disabilities in year 2022, accounting for 1.72% of total employees.</p> <p>③ Other Benefits To enhance the centripetal force of our colleagues, the Company is committed to providing comprehensive benefits for regular employees. In addition to basic benefits that comply with laws and regulations, such as labor health insurance, annual leave, maternity leave, and parental leave, it also includes group accident insurance, travel leave, and paid sick leave, year-end bonus, regular health examination, as well as birthday gifts, wedding gifts, maternity gifts, New Year (Dragon Boat Festival / Mid-Autumn Festival) bonus or gifts, sickness hospitalization condolences, funeral subsidies, disaster relief funds, education subsidies (students for employees' children, scholarships ), travel allowances, etc. Retirement qualifications and pension standards for employees are handled in accordance with the TTY Biopharm Retirement Management Regulations, and 100% are formulated in accordance with Taiwan's labor laws and regulations.</p> <p>In addition, in response to the weather changes in the cold winter every year, and the dual threats of influenza in autumn</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>and winter and the corona virus, the Company cooperates with the national epidemic prevention mechanism and re-introduces influenza vaccine. At the same time, to protect the health and safety of employees, from October 12, 2022, all colleagues and their first relatives and family members were provided with flu vaccines free of charge for 4 people to strengthen the resistance of employees and their family members. In year 2022, a total of 632 people were vaccinated. As a happy enterprise that fulfills its corporate social responsibilities, the Company is obliged to maintain public health and support epidemic prevention. The Company will make effort to build a safe and secure net for employees and their families, creating a common prosperity society. Please refer to 5. Labor Relations of V. Operational Highlights of the Company's annual report as well as "Talent Recruitment" and "Sustainability/Employee Care" section of the Company's website for details of the Company's Salary and Benefit Policy.</p> <p>④ Employee's Remuneration Policy and Implementation Employee remuneration includes salaries and bonuses, of which salaries refer to industry standards, professional titles, academic (experience), professional abilities and responsibilities, etc., and are approved according to the</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education?	✓		<p>Company's "Salary Structure Table"; bonuses are based on the Company's "Performance Development Plan and Bonus Evaluation Method", considering the annual performance evaluation items of each employee, such as annual achievement rate, core function indicators (trust and achievement orientation, integrity and teamwork, initiative and ambition, and customer orientation), and depending on total revenue and after-tax net profit achievement of current year.</p> <p>(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. In addition, in response to the dual threats of fluenza and Covid-19, the Company provided fluenza vaccines to all employees and their family members for free. (4 quotas for each employee). To prevent occupational accidents and to protect</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(4) Does the company establish effective career competence development training program for employees?	✓		<p>employees' safety and health, the Company has introduced ISO45001 (Occupational health and safety management systems) with verification, and the verified certificate will expire on Dec. 29, 2023.</p> <p>Please refer to 5. Labor Relations of V. Operational Highlights of the Company's annual report for other protection measures on employee's physical safety and work environment.</p> <p>(4) "Acquiring knowledge quickly, transferring knowledge effectively, and transforming knowledge into consensus and organizational capability as soon as possible" is one of the important ways for enterprises to build their core competitiveness. Therefore, in addition to training new employees, the company continues to innovate and build on other employees. A complete education training and development system has been established, and the TTY University employee training project has been implemented since 2012. According to the depth of knowledge content, the courses are divided into preliminary courses, advanced courses and advanced courses. The preliminary courses are suitable for all colleagues of the company to participate, the advanced courses are suitable for colleagues in related functional fields to participate, and the upper-level courses are arranged for</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>relevant colleagues to participate according to the course attributes.</p> <p>① New Employee Training  The Company is committed to creating a workplace that continuously learns and inspires colleagues' enthusiasm for work. For the purpose of help new colleagues to adapt to the organizational culture as soon as possible, understand self-positioning and show performance, the company plans a series of new employee training and reviewing courses, including introduction to confidential document management, introduction to GMP management, introduction to drug patent laws, introduction to Taiwan Intellectual Property Management Standards (TIPS), basic intellectual property rights courses, drug safety monitoring, information security education and training, and introduction of good distribution practices (GDP), introduction to business secrets, environmental safety and health, etc. A total of 58 new employees participated in the training courses in year 2022, it is expected that every new colleague can start from knowing TTY Biopharm's vision and values, organizational strategic direction, job focus and required core capabilities, and the organization resources to gradually understand the Company and solidly accumulate capabilities.</p>	

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	Y	N	Summary and Description	
			<p>② Professional Development The Company has established a comprehensive corporate internal training system – “TTY College.” In addition to new employee training, universal knowledge courses and leadership management courses, physical and on-line classes (R&amp;D, manufacturing and operation, quality control, marketing, business) have been integrated via biotechnology industry expertise and TTY Biopharm corporate culture across the fields mentioned above. For information on training, please refer to Chapter 5 Operation Status V. Relationship between Labors and Management.</p> <p>③ Executive Training For the purpose of incubating future talents with leadership capability for the organization, we have already invested enormous amount of efforts and resources to establish talent development culture within the Company’s group and establish a comprehensive and fair “Talent Development Committee.” Through communication and integration of knowledge and resources within the Group, we provide colleagues with more diversified occupational career selections and a bigger stage. It is expected that the Company and colleagues can jointly find the best development goal and program which meet with</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(5) Does the Company comply with related laws and international standards in terms of customer's health and safety related to products and services, customer's privacy, marketing and labeling, and establish related consumer rights protection policy and complaint procedures?	✓		<p>organization needs as well as individual's interest. After each year's evaluation and recruitment by the "Talent Development Committee," the Company establishes customized individual development goal for each core talent, and offers periodical and timely feedback and instructions accordingly. Appropriate development plan will be provided depending individual's development status and performances in respective phases. In 2022, 2 business management courses were held, each with about 17 participants, and the average after-course satisfaction was 4.63 points (out of 5).</p> <p>(5) 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. In terms of marketing and labeling for drugs, package inserts are attached in accordance with regulations and package insert linkages are posted on the Company's official website for enquiry. Promotional advertisements are submitted to health competent authority in advance as required by laws and</p>	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(6) Does the Company establish supplier management policy and request suppliers to comply with related requirements in issues of environmental protection, occupational health and safety or labor human rights? What are their execution situations?	✓		<p>advertisement registration numbers are obtained accordingly. In addition, the Company establishes appropriate information safety management mechanisms, enhances information security awareness and complies with stringent control requirements and protection measures in order to protect personal information and customer's privacy. The Company posts responsible person's contact phone number and e-mail address on the "Contact Us" section of the Company's website for the purpose of processing issues related to complaint of the Company's consumer rights and handling customer's complaint fairly and timely.</p> <p>(6) ① Supplier Management Policy The company focuses on the four major policies of "quality assurance", "quantity stability", "short delivery time" and "sustainability pursuit" and concurrently evaluate financial status, organizational management, corporate sustainability implementation of the suppliers. The Company has established the "Supplier Sustainability Management Capability Selection" mechanism, from the selection and qualification assessment of new suppliers, to the qualification assessment of existing suppliers for continued cooperation,</p>	No discrepancies



Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>risk assessment hierarchical management, coaching and improvement and other detailed rules, to implement sustainability and transparency on supplier selection and management. In year 2022, 100% of new supplier have selected in accordance with the aforementioned selection system.</p> <p>The evaluation of suppliers includes routine evaluation (for any abnormal situation of daily supplier incoming materials, the evaluated points will be deducted and this points will be the basis of annual evaluation) and annual evaluation includes delivery, quality, customer complaints, cooperation, and sustainability, grading these suppliers and conducting management based on the assessment results.</p> <p>② Supplier Management Status</p> <p>a. Plant Chungli</p> <p>In terms of 319 items that have been traded in year 2022, Plant Chungli has assessed them based on quality, customer complaints. The evaluation results: Grade A for total 309 items; Grade B 10 items; Grade C 0 items. The suppliers who graded A will be prioritized if the Company has new supplies request and will be provided to the Quality Control Department to reduce or exempt the test and evaluation of raw materials.</p>	

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>b. Plant Lioudu In terms of 320 items that have been traded in year 2022, Plant Lioudu has assessed them based on quality, customer complaints. The evaluation results: Grade A for total 318 items; Grade B 2 items; Grade C 0 items. The Company will follow up and review the improvement of suppliers who graded B, and these suppliers will be prioritized into the monitor plan for year 2023. Additionally, the frequency of monitoring will be increased if necessary.</p> <p>c. Plant Neihu Plant Neihu assessed the 54 items that had been traded in year 2022 based on their quality and cooperation. The result of this year's assessment: all 54 items were qualified; no unqualified items were found.</p> <p>Please refer to "Sustainability" section of the Company's website and Sustainability Report for further details.</p>	
5. Does the Company take references from internationally applied guidelines or instructions for report compiling in its preparation of corporate social responsibility report which discloses the	✓		The Company complies with GRI Sustainability Reporting Standards (GRI Standards) in preparing the Sustainability Reports of Year 2021 and Year 2022. The Sustainability Report of Year 2021 has received Type 1 "The Moderate Assurance" of the "AA1000 Assurance Standard v3" established by the British	No discrepancies

Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
Company's non-financial information? Have opinions of assurance or guarantee from third party verification units been obtained for aforementioned report?			Standards Institution ("BSI"), which is a third-party independent verification institute and a global non-profit organization. Sustainability Report of Year 2022 is under verification by Afnor Asia.	
<p>6. For companies having developed independent sustainable development practice in accordance with "Corporate Sustainability Development Best Practice Principles for TWSE/TPEX listed Companies," please describe the discretion of operation with the independent practice developed: The Company establishes its "Guidelines for Sustainable Development Practices" in accordance with "Corporate Sustainability Development Best Practice Principles for TWSE/TPEX listed Companies" and complies accordingly without fail for the purpose of fulfilling corporate social responsibility promotion.</p>				
<p>7. Other critical information that helps understand the operation of corporate social responsibility:</p> <p>(1) Donation of Influenza Vaccines Countries around the globe are gradually lifted Covid-19 restriction thanks to weak mutation and less threatening of viruses, however, influenza outbreaks have occurred in countries such as Europe and the United States, resulting in "immunity debt" become a public health issue. In 2022, TTY Biopharm Company collaborated with Chinese Taipei Olympic Committee in providing 1,000 doses of influenza vaccines to the sports community, and installed a vaccination station in the National Sports Training Center to provide "inject" assistance to athletes and public health. Through this assistance of injection, it hopefully enhances athletes' protection during their preparation to participate in the Hangzhou 2022 Asian Game.</p> <p>(2) Summer internship Program Since year 2008, the Company has held Summer Internship Program (SIP) for 15 consecutive years. It has organized many briefing sessions, group interviews, course content planning and project management learning classes for students from universities or research institutes in pharmacy</p>				

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			<p>and biosciences all over the country. From the perspective of a professional and forward-looking international pharmaceutical company, the Company shares industry experiences which cannot learnt from class. In past 15 years, there were 391 students joined this program.</p> <p>Even in the face of the epidemic in 2022, the Company started physical and online remote practice simultaneously. Among them, a new plan "group entrepreneurship competition" has been executed, in the form of simulating the establishment of a new biotechnology company, allowing participants to participate in this process of building company's vision, mission, strategy, etc. and gaining the overall market operation mode and market needs of the biotechnology industry, to facilitate these students to be high-level talents in the future. In year 2022, a total of 28 students from National Taiwan University, Taipei Medical University, National Yang Ming Chiao Tung University, National Tsing Hua University, China Medical University, National Cheng Kung University, Chia Nan University of Pharmacy and Science, Kaohsiung Medical University, and Tajen University, including international students from the United Kindom and the United States, participated in summer internship program. In Year 2022, students with excellent internship performance were selected as "campus ambassadors", and it is expected that more students to participate in the "SIP Summer Internship Program" in the future.</p> <p>(3) Cancer Education and Local Care</p> <p>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.</p> <p>① Cancer Education in Rural Areas and Schools</p> <p>Since year 2005, TTY Biopharm Cancer Science Development Group has organized and promote a series of cancer prevention and healthy diet education for junior high school students with some cancer-related nonprofit organizations. And dozens of events have been held every year in rural junior high school campuses, to prevent cancer and healthy diet. In year 2022, the Company conducted 34 sessions in junior high schools in remote areas such as Yunlin, Chiayi, Tainan, Miaoli, Hualien and Taitung, and the outlying islands. We invited professional medical staffs from major medical centers to promote the prevention of cancer at campus. By passing the knowledge, let the teenagers play the role</p>	

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	Y	N	Summary and Description	
			<p>of assistant in family's daily life, so the whole family has the right knowledge of preventing cancer life.</p> <p>② Scholarships for children of cancer patients            People of cancer-affected population in Taiwan continues to be younger, and most cancer patients are the breadwinner of the family. Disease and treatment expenses often become the burden of cancer families, which in turn affects the lives and studies of their children. To alleviate the economic burden of cancer families and help their children go to school smoothly, TTY Biopharm has sponsored the Cancer Hope Foundation with scholarship of NT\$20 thousands per student for a long time since 2010. During the period of year 2011 to year 2022, a total of 510 college students were funded. In addition, the total amount of annual sponsorship for the event is NT\$ 1 million for the purpose of ensuring the college students with cancer patients to have fair opportunity to receive education.</p> <p>③ Holding of Health Education Seminar            For patients consistent cancer treatment, the company regularly organizes patient and family disease treatment and cancer pain nutrition and health education with cancer related NPOs (non-profit organizations), so that patients can survive the discomfort which is caused by treatment and diseases, and families can learn correct knowledge and fight against cancer positively. Due to the impact of Covid-19 epidemic and in cooperation the prevention measures of government and hospital, there was 1 physical sessions held with total of 90 people in year 2022. Since 2009, a total of 6,711 cancer friends have attended the lecture. In addition, the Company held health education lectures on osteoporosis and bone health, and provided tests to prevent the causes of calcium and vitamin D deficiency. In year 2022, there are 59 events (including general hospital and community health education, patient associations, etc.) held to instruct and advise how to absorb sufficient calcium in daily diet, involving in 26 doctors as lecturers and 1,869 participants.</p> <p>(4) Purchasing from Charity Association            Since 2019, the Company has cooperated with the Yu-Cheng Social Welfare Foundation, focusing on supporting the mentally handicapped people, providing various assistance, and expressing its care for these people with practical actions. In the past, on the Mid-Autumn Festival, the Company called on volunteers to reunite with these people at Tamsui "Ai Yu Development Center" to create a "home" atmosphere for these students who</p>	

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			<p>have been lacked of care. Due to the severe global COVID-19 epidemic, in order to avoid unnecessary risks caused by the gathering, and to consider the health of the mentally-handicapped, the original shared meal plan was cancelled.</p> <p>The epidemic has also impacted the income and operation of foundation, therefore, the Company called for the purchasing from charitable group, and actively responded to the Mid-Autumn moon cake group buying, indirectly assisting in cultivating the mentally handicapped people working skills, and the abilities of independence and social interaction, improving employability and increasing job opportunities for the purpose of helping these people create more possibilities and encouraging them.</p> <p>For the purpose of offering feedback to shareholders and supporting the foundation, in year 2022, annual general meeting selected the “Rose Rock Salt from Mountain Himalayan” package as souvenir and total 27,600 packages were purchased. In year 2023, total 30,000 packages are expected to purchase.</p> <p>(5) Hospice Caring for Cancer Family</p> <p>For the purpose of assistance of the domestic promotion of hospice care and facilitation of the industry advantage, the Company has launched hospice caring service. The Company has cooperated with Chinese Medical University to plan daytime hospice care services since year 2022. We provide relief nursing after returning home for the Chinese Medical University Hospital patients who have died of cancer. In nursing medical services, home nurses from the hospice care will visit patients’ home and perform hospice care and medical behaviors and help families solve the problems of terminal cancer patients, reducing pressure on caregivers. In year 2022, the hospice caring services have been provided to 298 patients without charges for the purpose of relieving the symptoms of patients, providing mentally support and financial support, to help patients and their families can calm down on their final journey of lives and to further extend the impact of the Company.</p> <p>(6) Step 30- Clothing Donation</p> <p>TTY Biopharm Company is fully dedicated to the contribution to the public on social welfare and community participation. Companies under this Group have also inherited this core value and spirits of kindness and willing to contribute. In 2022, TTY Biopharm Company worked together with its subsidiary-TSH Biopharm in holding a second-hand clothing donation, aiming on collecting the most fundamental necessities of clothes for the third world countries located in Africa. Materials which are replaced but still useable are utilized to help those in need. This also echoes the Company’s one goal in promoting “recycling and re-utilization is also a measure to decrease greenhouse gas emission.” After the one and a half</p>	

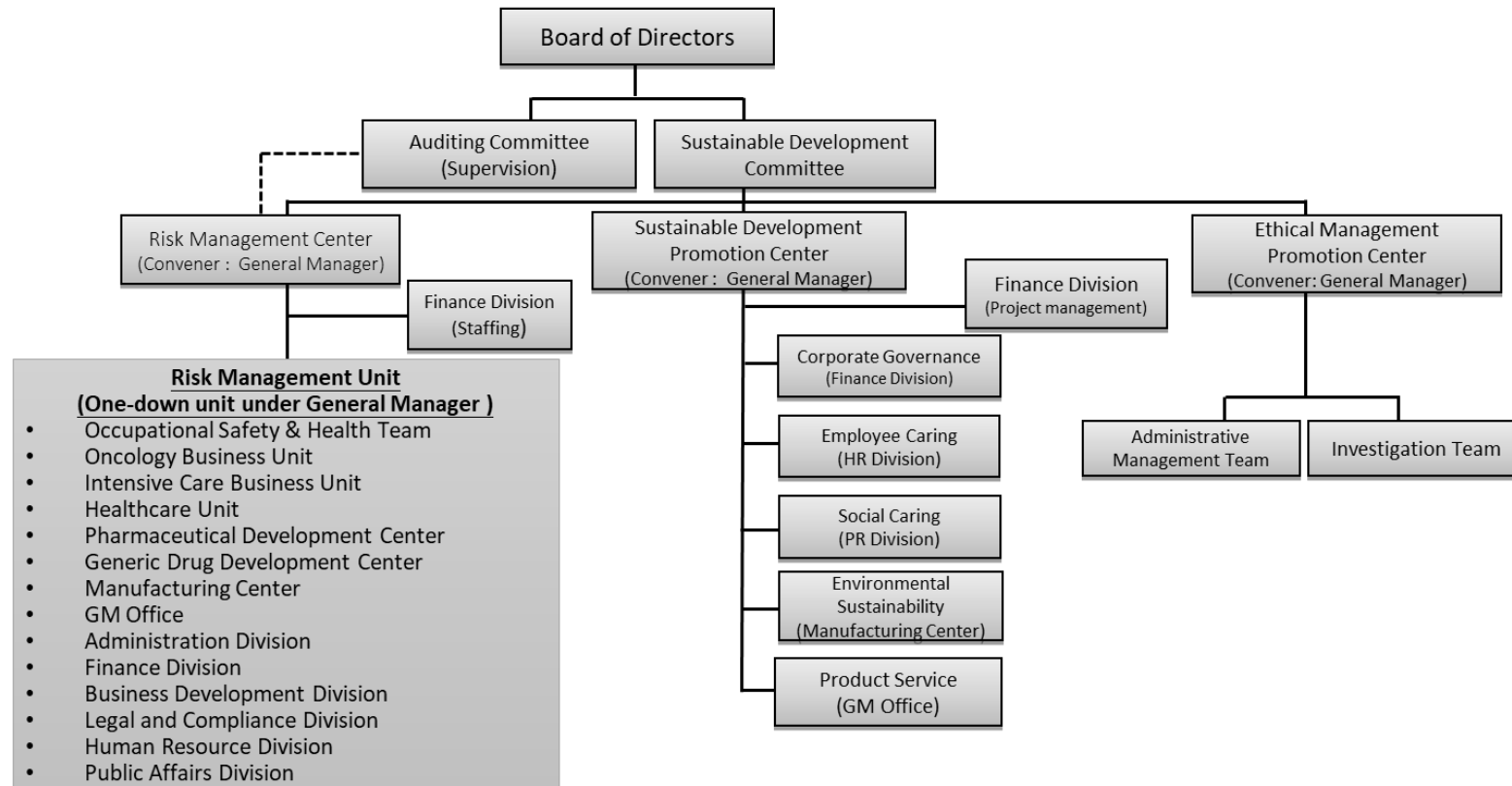
Item	Operations			Discretions with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>months of period, a total of 806 pieces of second-hand clothes and pants and 64 backpacks were collected with a total reduction of 3,385.2kgs in carbon emission. This action not only complies with SDG 1 “No Poverty,” it also echoes the issue of SDG 13 “Climate Action”. The Companies under the Group are therefore able to exploit synergy efficiency and achieve its goal with colleagues’ contribution.</p> <p>(7) Trilogy for “TTY Rice”  Being an international medical brand which cares about health, TTY Biopharm Company is devoted to contributing to global medical treatment. The Company also hopes to support patient’s health and assist everyone in enriching his or her own life. As such, based on the corporate social responsibility foundation, TTY Biopharm Company develops and supports “cultivating TTY to support health” project plan which comes with three perspectives of friendly environment, employee LOHAS and expansion of welfare influence. Using chemical-free farming natural domain as the starting point for social welfare, harvested rice is donated to social groups in need. This also deepens corporate DNA which comes with social welfare culture.</p> <p>① Support Friendly Agriculture Contracted &amp; Farming of Chemical-Free Rice  In the Da-Shi Rice Farming area close to Plant Chungli, the Company searches for small farmers who agree with friendly farming methods, and engages itself in chemical-free farming through collaborative subscription in order to support friendly agriculture. Farmer Mr. Lien-Bao Wang, who collaborates with the Company, has been adopting chemical-free farming for over 30 years and he insists to cultivate classical and healthy rice for Taiwan. Such persistence in friendly environment and health preservation is exactly TTY Biopharm Company’s brand spirit of continuous pursuit and implementation. With this, TTY Biopharm Company initiated TTY Rice project of “cultivating TTY to support health.” In the first year, 2 farming sessions of chemical-free rice with a total of 13,000+ kilograms were subscribed to support farmer’s sustainable farming measures, reduce environmental pollution and echo chemical-free healthy life. This symbolizes TTY Biopharm Company’s adoption of concrete actions to support sustainable ecology in environment.</p> <p>② Sleeve-Up Farming Experience &amp; Encouragement of Employee LOHAS  TTY Biopharm Company’s subscription of chemical-free rice fields allows employees to experience a “from land of production to dining table” nature classroom. “Health starts from eating.” As such, TTY Biopharm Company calls on its employees to experience going down to rice</p>	

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	Y	N	Summary and Description	
			<p>fields. This not only supports environment sustainability, it is also a way of employee HOHAS and family gathering. During the rice-plantation for the second rice farming period in August of 2022, close to 100 employees together with their family members all went to rice field to learn rice-plantation knowledge and how to drive a power-tiller. They also stood in the muddy rice field to experience the fun of rice-planting. Although there was mud all over their hands and feet, everyone's face was covered with a happy expression. Through this rice-planting experience, TTY Biopharm Company expects to encourage employees to take health and family life seriously, and it is hoped that employees will therefore be able to pursue self-fulfillment more passionately.</p> <p>③ Collaboration with Social Welfare Groups &amp; Expansion of Influence</p> <p>Chemical-free rice not only demonstrates TTY Biopharm Company's support for a friendly environment and caring for employees, it also comes with another profound meaning for social care. That is, cultivation of seeds for altruism and demonstration of altruism mission which takes care of more people's health from different perspectives. In 2022, TTY Biopharm Company collaborated with Yu-Cheng Social Welfare Foundation, which is engaged in long-term care for physically/mentally disadvantaged individuals, and Andrew Charity Association, which pays special attention to disadvantaged and poor children, and each donated 1,000 kgs of TTY chemical-free rice. This allowed the rice to help more families through a series of professional social welfare groups. TTY rice is not only donated to social welfare groups. TTY Biopharm Company's volunteer partners took a further step to go to Andrew Charity Association, which is located in Wugu District of New Taipei City, to participate in the packaging of hundreds of food boxes. They also accompanied Yu-Cheng Social Welfare Foundation's mentally disadvantaged children to Dashi farmhouses to package newly harvested chemical-free rice.</p>	



## 8. Implementation of Sustainable Development Promotion

### (1) The Governance Structure of Sustainable Development Promotion



## (2) Implementation of Sustainable Development

### ① Sustainable Development Promotion Center

The Sustainable Development Promotion Center is divided into Corporate Governance Team, Employee Care Team, Social Engagement Team, Environmental Sustainability Team and Product Service Team based on functions. The team leaders of each functional team is selected from Finance Department, Human Resources Division, Public Affair Division, Manufacturing Center and General Office. Meanwhile, the team leaders select inter-departmental support team members based on their in-charges for jointly execution.

At the end of each year, the Sustainable Development Promotion Center proposes a working plan for the next year and submits it to the Sustainable Development Committee for approval. In addition, it is required to report the implementation of the previous year to the Sustainable Development Committee in the first quarter of each year and then the Chairman of aforesaid Committee shall report to the Board of Directors. In year 2022, the Company has formulated the corporate sustainable development strategy roadmap and targets and year 2023 work plan, and has submitted them to the Sustainable Development Committee for approval and reported to Board of Directors on November 04, 2022. On March 14, 2023, the Sustainable Development Promotion Center has reported the implementation for the Year 2022 to the Sustainable Development Committee and the Chairman of the aforementioned Committee reported the implementation for Year 2022 the Board of Directors. For further details about the implementation of sustainable development, please refer to the Company's Sustainable Development Report for year 2022 and the "Sustainability" section of the Company's website.

### ② Risk Management Center

On December 28, 2020, the Board of Directors approved the "Risk Management Policies and Procedures" as the Company's highest guidelines for risk management. The risk management center identifies and evaluates the Company's major risks on an annual basis and supervise and control of major risks based on the strategies of risk management.

The General Manager serves as the convener of the risk management center and is responsible for supervising the execution and coordination of the overall risk management; the one down unit under the general manager is the risk management unit, being responsible for various risk management within the organization. The Finance Department is the staff unit of the risk management center, assisting the general manager to coordinate operations of risk management for each unit, for the purpose of ensuring that the involved risk are controlled within the acceptable scope. The Sustainable Development Committee supervises the operation of the Risk Management Center, meanwhile, the Audit Committee supervises the company's risk management to ensure the effective implementation of internal control; the Board of Directors is the decision-making and responsible unit for the company's risk management.

The Risk Management Center is required to report risk identification and operations to the Sustainable Development Committee, the Audit Committee and the Board of Directors every year. On March 14, 2023, it has reported the performance of risk management for year 2022 and

the risks identification and TCFD for year 2023.

- Boundary and scope of risk assessment

The year 2023 risk assessment boundary includes all the company's sites and departments, and the scope can be divided into four aspects,

- ✓ Strategy: Changes of legal compliance, industry change/market competition, technology research and development, talent
- ✓ Operation: product safety, occupational safety, supply chain management, intellectual property/business secrets, information security, public events
- ✓ Finance: interest rate, exchange rate, changes in tax laws and regulations
- ✓ Disasters: Earthquakes, epidemics, natural disasters, fire/chemical leakage, climate change

- Performance of conducting risk management

After identification of risks, the major risks include legal compliance, technology research and development, talents, intellectual property, information security, public relations events, finance, occupational safety, climate change and natural disasters. The Company's major risk management strategies and implementations are as follows,

Types	Items	Measures
Compliance	Laws and regulations of government, including finance related and drug	<ol style="list-style-type: none"> <li>1. Announcement of “Principles of Major Commercial Cases Process”</li> <li>2. Advocacy of Ethical Management and Prevention of Insider Trading</li> <li>3. Formulation of “Drug Advertisement Management and Standard Operation Procedure” for marketing.</li> <li>4. Medical Equipment (Agency) included in the original advertising process management.</li> </ol>
Technical Research and Development	New Project	<ol style="list-style-type: none"> <li>1. Standardize the reviewing items of proposal to ensure the quality of decision-making for proposal.</li> <li>2. Assessment to Adopt for the new project management system (PMS).</li> <li>3. Strengthen and establish the operational principles of “NPD Project Organization”, adjustment of moderate hierarchical control for NPD projects to improve efficiency of project management (new added).</li> </ol>
Talent	Talent Turnover	<ol style="list-style-type: none"> <li>1. Plan to increase employees’ compensation for entry-level employees with high potentials.</li> <li>2. Launch the “Talent Retention and Development” training courses to improve the</li> </ol>

			retention skills of managers, and continuously track the implementation and effectiveness.
IP	Business Secrets		<ol style="list-style-type: none"> <li>1. Drill on business secrets accidents, identifying management gaps and enhancement.</li> <li>2. Systematic management of business secrets, introducing a professional document management system to strengthen confidential management</li> </ol>
Supply Chain Management	Delivery Delay of main raw materials		<ol style="list-style-type: none"> <li>1. Increase Standard Operation Procedure of Assessment of Suppliers (Distributors)</li> <li>2. Increase Procurement Plan, ensuring inventory level and developing API to ensure on-time delivery and stability of price and quantity.</li> <li>3. Issue ESH questionnaires to suppliers.</li> </ol>
Product Security	Drug Adverse Events		<ol style="list-style-type: none"> <li>1. Adding management process of defective medical equipment, and the report process of adverse effect to original manufacturers.</li> <li>2. Check API material resource before issuing MBR and conduct quality control of API</li> <li>3. Setup of PV Reporting System</li> </ol>
Occupational Security	Casualties and property damage caused by industrial safety accidents		<ol style="list-style-type: none"> <li>1. Introduction of ISO45001 Occupational safety and health management system (has been verified on Dec 30, 2022)</li> <li>2. Safety and Hygiene Guidelines for Middle-aged and Elderly Workers - Conduct workplace and personal health risk assessments for workers aged 45 to 65, improve the on-site working environment, and perform drills for middle-aged and elderly people (new added)</li> <li>3. Assess the traffic flow of personnel and driving in the factory to avoid collision accidents caused by overlapping of the two (new added)</li> </ol>
Information Security	Leakage of personal information, loss resulted from malwares, virus, and hackers.		<ol style="list-style-type: none"> <li>1. According to the ISO 27001 management standards and the governmental requirement, the general principles of information security guidelines are introduced by identifying and evaluating the relevant norms of the Company</li> <li>2. Regularly conduct host vulnerability scanning and social engineering drills to implement management measures</li> <li>3. Invite external experts to hold IT security seminar irregularly</li> </ol>

PA Events	Sudden/accidental events endanger corporate image and reputation	Complete the real-time public opinion notification system, notify and propose to senior executives if urgency or major public opinions
Climate Change	Result in asset loss, damage of global supply chain and lack of resource.	Please refer to TCFD

• TCFD (Task Force on Climate-Related Financial Disclosures)

Governance	Strategy	Risk Management	Targets
<p>The risk management center is a dedicated unit for climate change management, and the General Manager is the convener of the risk management center, responsible for decision-making, assessment, and supervision of climate-related issues and matters. The convener exercises rights in accordance with the major principles of "Climate Governance" formulated by the Risk Management Center, and reports to the Sustainable Development Committee and the Board of Directors annually on the implementation progress of the Company's goals for responding to climate change. In addition, in order to enhance the awareness of climate change at the management level, the Company will</p>	<p>TTY Biopharm is committed to realizing green manufacturing processes with low-carbon emission, and promoting green supply chains, anticipating to drive the transformation of environmental awareness in the pharmaceutical industry and achieving the goal of effectively reducing greenhouse gas emissions.</p>	<p>The Risk Management Center convenes various groups to identify climate change-related risks and opportunities, and establishes a management plan for major risks/opportunities to track progress and effectiveness and promote the achievement of specific environmental</p>	<ul style="list-style-type: none"> <li>• Short-term Target <ul style="list-style-type: none"> <li>○ Based on the active power saving and carbon reduction plan formulated in 2022, the improvement measures of energy-consuming equipment in year 2023 will be implemented, which will save 2% of electricity compared with that in 2022.</li> <li>○ The Introduction of ISO14064-1 greenhouse gas inventory standard was completed in 2022 and is expected to be verified in 2023.</li> <li>○ Completion of assessment of purchasing green energy or adding energy-saving facilities in 2023.</li> <li>○ Formulation and establishment of material principles of "climate governance" in 2023.</li> </ul> </li> <li>• Mid-term Target</li> </ul>

conduct education and training related to climate change.

goals.

- Increase the target on reducing carbon emissions year by year.
- Long-term Target
- Target to reduce the carbon emission above 10% in 2025 on a basis of that in 2022.

For detailed related to climate change, please refer to "9. Illustration of the Company's Environmental Sustainability /1. Relevant Disclosures in Response to Climate Change", the Company's Year 2022 Sustainability Report and the "Sustainable Development" section of the Company's website.

③ Ethical Management Promotion Center

Ethical Management Promotion Center includes administrative team and investigation team. The Finance Department is in charge of administrative task, and its main responsibilities are to formulate and revise the ethical-related regulations such as "Procedures for Ethical Management and Guidelines for Conduct", to conduct internal training of ethical management, to propose the reporting mechanism, to process if illegal benefit received by the colleagues and to collect the ethical operational-related activities. This operation result will report to the Sustainable Development Committee and the Board of Directors on an annual basis.

The head of the Legal and Compliance Department is responsible for the receipt of e-mails sent to the reporting mailbox, submitting the receipt of reporting emails to the Sustainable Development Committee on a quarterly basis. When reporting case occurs through this channel, the Processing & Investigation Division springs into action immediately and the heads of relevant units form investigation task forces that conduct inquiries as required based on the identity of the accused.

The Auditing Office conducts quarterly audits regarding receipt of reports in the reporting mailbox and the implementation of ethical management.

Ethical Management Promotion Center will report the performance to the Sustainable Development Committee and the Board of Directors and the Center reported the performance of year 2022 on March 14, 2023,

a. Receipts of reporting mailbox

A total of 463 emails were received, including 2 anonymous reports related to work flow. The Company has completed internal investigation and the result was reported to the Sustainable Development Committee on August 5, 2022. The others are advertising emails.

b. Training

- Online course of "The promotion of ethical management": Sessions were conducted semi-annually, and 100% of total 540 employees in

the first half year, and 100% of total 521 employees in the second half year completed online courses and passed the quizzes.

- Online course of “The principles of prevention of inside trading and major commercial cases”, and 100% of total 540 employees in the first half year, and 100% of total 521 employees in the second half year completed online courses and passed the quizzes.
- Physical seminar of Prevention of Insider Trading: the Company has invited external lawyer to have this session, and 7 directors and 54 executive managers have participated through on-site and live broadcasting.

c. Response to Reporting Cases

2 anonymous emails shows that concerns of work flow, and the assigned supervisor completed the internal investigation. There was no impact arising from aforementioned quality control issue for finished products but the procedure could be improved. A corrective and preventive measure has been established, and the auditing office has tracked their implementation.

(3) Supervision of Board of Directors

The board of directors is the highest governing unit in the field of sustainable development. The Chairman of Sustainable Development Committee submits every report (at least on a quarter basis) of meeting execution to the board of directors, and the Sustainable Development Promotion Center submits working plan for next year by the end of current year, and reports execution status of previous year in the first quarter annually to the Sustainable Development Committee. Then the Sustainable Development Committee Chairman will report to the board of directors, and the board of directors will assess and review the process and require adjustment if necessary.

In 2022, the Sustainable Development Committee held 7 meetings, including response to reporting case, the establishment of a schedule for greenhouse gas inventory and verification, the revision of corporate sustainable development strategies and goals, the formulation of year 2023 sustainable development goals, the revision of risk management policies and procedures, reports on receipt of reporting mailboxes. The board of directors has approved the proposal proposed by the Sustainable Development Committee, and inquired and guided on the reported case in detail.

For more details, please refer to the Sustainability Report for year 2022 and the “Sustainability” section on Company’s website.

9. Illustration of the Company's Environmental Sustainability

The data for the Company's environmental-oriented boundary and scope are from the two major manufacturing sites- Plant Chungli and Plant Lioudu, and partial disclosure includes the statistics from Pharmaceutical Development Center. These statistics are presented in universal standard.

(1) Disclosure in response to climate change

① Risk Identification and Countermeasures

Risk Type		Impact	Countermeasure and potential financial impact
Transition Risk	Policy and Laws	Tightened restriction on GHG Reduction and Management Act, and the potential control over total emission in the future will be followed by extra operational expenses on carbon tax.	With a view to enhancing our energy efficiency, we will implement an energy conservation and carbon reduction program and add energy-saving facilities. We have made an ongoing commitment to improving our production processes and minimizing environmental impacts through reductions at the source and strengthening of end equipment for emission control. The latest Taiwan Power Company statistics revealed that the power generation costs per kWh will rise by 45.45% in 2025 if Taiwan decides to replace nuclear with renewable energy and coal with natural gas. Calculations based on the average electricity tariff of NT\$ 2.6/kWh in 2018 point to an increase of power generation costs per kWh by NT\$ 1.182 in 2025. In view of the fact that the Company purchased 14,000,000 kWh of electricity in recent two years, this would raise expenditures by an estimated NT\$ 16,650,000 per year.
	Technical	Economic systems gradually transition toward supporting technological improvements and innovations with low-carbon and high-efficiency characteristics. This will affect the Company's competitiveness and could result in increased procurement, production, and distribution costs due	We conduct short- and medium-term planning based on comprehensive assessments of the impact of climate change policies on the Company. The Company aims on conducting energy-saving measures, such as improvement of cooking tower fan of air conditioning, bumps replacement and water quality control of cooling water tower to effectively improve effectiveness of air conditioning for the purpose of lowering carbon emission and conducting green transformation gradually.



		to schedules and service depth demanded by customers	<p>a. Projected investments in the replacement of obsolete assets (equipment) in 2023 amount to NT\$ 32.19 million</p> <p>b. Projected investments of NT\$1.03 million in the energy-saving measures such as improvement of cooling tower fan for air conditioning and bumps replacement, quality control of cooling water tower and replacement of T8 lamps with LED lamps.</p>
	Market	In response to climate change risks and carbon emission control requirements, new business models and the market and adaptation demands are gradually emerging on the market. This forces enterprises to build up their capabilities in the field of carbon asset management. Due to the Company's determined efforts to minimize the risk of supply chain disruptions caused by unstable supply of raw materials, inventory costs have increased noticeably.	With a view to strengthening our ability to bear climate change risks, we have created new opportunities for revenue increase and market expansion through the adoption of an environmental protection mechanism and carbon emission control measures. On the other hand, increased safety stock levels will result in rising inventory costs. Based on our total inventory costs of around NT\$ 1,026 million in 2022, it can be estimated that every increase of inventories by 1% will raise our inventory costs by NT\$ 10.26 million.
	Reputation	The perceived potential impact of climate change on customers or communities is inextricably intertwined with the perceived image of the Company in terms of commitment to low-carbon transformation. High carbon emissions or pollution could result in the cancellation of bidding qualifications, loss of orders, and	With a view to developing more eco-friendly, high-quality products and services, we strive to constantly increase our internal wastewater and solid waste recycling and reuse rates and organize external activities for the promotion of environmental sustainability with the ultimate goal of creating a green corporate culture from the inside and out. We also conduct assessments of a possible engagement in the development of green energy and low-carbon logistics with the ultimate goal of decreasing the carbon footprint of our products and organization and strengthening our

		dropping revenues, or change the perception of the Company by customers and society.	competitiveness by ensuring that our products fit the demands of the market.
Physical Risk	Immediate	Climate change is also associated with extreme weather events such as typhoons, floods, and drought, which can cause immediate financial impacts in form of damage to Company assets or supply chain disruptions	Water resource management is strengthened to ensure the safety of plant equipment and business continuity. We have created a complete list of water suppliers to be optimally prepared for droughts. However, the purchase of water from such suppliers to make up for water shortages will result in higher costs. Based on a total water consumption of around 99,652 m <sup>3</sup> in year 2022, it may be estimated that annual water purchase costs will surge by NT\$ 80,000 (based on 25 tons water truck with 4 trips) if such purchases are necessary. In addition, typhoons and flooding can disrupt the normal transportation of raw materials and delivery of finished goods, which in turn affects operating revenues. With a view to preventing such disruptions, we assess the possibility of offsite warehouse rental, which will lead to increased rental costs of NT\$ 20 million.
	Long-term	Rising average global temperatures coupled with the gradual depletion of energy (water, electricity, fuel) and other resources can result in the disruption of plant operations, rising operating costs, or even liquidated damages due to delivery delays	We assess regional energy and resource usage conditions and arrange staggered peak production in accordance with actual conditions. Electricity usage peaks are avoided for production operations in areas where such arrangements are adopted. We also formulate business continuity plans. In addition to the active development of new suppliers, we have installed emergency generators and compiled lists of water suppliers to ensure a stable supply of raw materials or energy resources and thereby strengthen our ability to respond and adapt to disasters.

② Climate Changes Opportunities and Countermeasures

Type	Description	Countermeasure and potential financial impact
The efficiency of resources utilization	Improving the efficiency of energy and resource utilization can lower the Company's medium and long-term operating costs, and also achieve the goal of carbon reduction.	Evaluate the establishment or replacement of low-energy-consumption equipment, set various reduction targets such as electricity and water consumption, and improve the efficiency of resource use. It is estimated that the annual operating cost can be reduced by about NT\$400 thousand. Projected investments in the replacement of obsolete assets (equipment) in 2023 amount to NT\$ 32.19 million and it is estimated that the annual operating cost can be reduced by about NT 2.7 million.
Elasticity	Improve the ability to adapt to climate change in order to manage the risks associated with climate change and opportunities.	The Risk Management Center convened each group to identify risks and opportunities related to climate change, and formulate climate change risk management strategies. Finance Division planned to establish major guidelines for the company's "climate governance" to track results and strengthen the Company's risk response capabilities.

For more details, please refer to the Sustainability Report for year 2022 and the “Sustainability” section on Company’s website.

(2) Environmental Sustainability Policy

① Greenhouse gas

➤ Statistics in recent 5 years

▼Energy Consumption (Unit : Megajoules)

Plant	Type	2018	2019	2020	2021	2022
Lioudu	Natural Gas	9,587,246	10,323,547	11,411,672	10,920,001	13,090,459
	Purchased Electricity	28,142,064	28,156,536	31,368,240	29,877,120	32,302,800
Chungli	Natural Gas	5,611,316	7,094,433	5,574,111	5,548,225	5,980,756
	Purchased Electricity	19,088,640	20,711,880	20,604,600	20,145,600	19,590,480
Total		62,429,266	66,286,396	68,958,623	66,490,946	70,964,495

Note:

- The installation of natural gas boilers has been completed, replacing the consumption of low-sulfur heavy oil and effectively reduced carbon dioxide emissions since January 2018.
- Calculation method of energy consumption from natural gas boiler: Natural gas consumption 1 m<sup>3</sup> = 8000 kcal = 33,488,000 Joule.
- Calculation of purchased electricity 1 kWh =3,600,000 Joule.

▼Energy Intensity

Items \ Year	2018	2019	2020	2021	2022
Energy Consumption (Megajoule)	62,429,266	66,286,396	68,958,623	66,490,946	70,964,495
Consolidated Revenue (NTD thousand)	4,036,196	4,466,308	4,221,836	4,535,610	5,061,606
Energy Intensity (Megajoule /NTD thousand)	15.5	14.8	16.3	14.7	14.0

Note: The scope of statistics include Plant Lioudu and Plant Chungli.

▼ Greenhouse Gas Emission (Unit:tonCO<sub>2</sub>e)

Plant	Type	2018	2019	2020	2021	2022
Lioudu	Scope I	538	579	640	613	1,107
	Scope II	4,128	4,169	4,827	4,166	4,567
Chungli	Scope I	315	398	313	311	394
	Scope II	2,800	3,067	2,913	2,809	2,763
Total		8,264	7,780	8,213	8,693	8,831

Note:

- The type of greenhouse gas emission from Plant Lioudu and Plant Chungli include scope I and scope II without scope III.
- The installation of natural gas boilers has been completed in 2018, replacing the consumption of low-sulfur heavy oil. Scope I emission sources are mainly natural gas boilers, and the greenhouse gas arising from burning natural gas including CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O has been factored in.
- Scope II emission sources are mainly purchased electricity, according to the energy Administration announced that carbon dioxide emission equivalent coefficient was 0.554 kgCO<sub>2</sub>e/degree in 2017, 0.533 kgCO<sub>2</sub>e/degree in 2018, 0.509 kgCO<sub>2</sub>e/degree in 2019, 0.502 kgCO<sub>2</sub>e/degree in 2020, and 0.509 kgCO<sub>2</sub>e/degree as 2021.
- The emission statistics before year 2021 were referred to self-collected, and ISO14041-1 greenhouse gas inventory verification was conducted by the independent institution in year 2022 and the Company is expected to be verified and certified in May, 2023.

▼ Greenhouse Gas Emission Intensity

Items \ Year	2018	2019	2020	2021	2022
Greenhouse Gas Emission (tonCO <sub>2</sub> e )	7,780	8,213	8,693	7,899	8,831
Consolidated Revenue (NTD million)	4,036	4,466	4,221	4,535	5,062
Greenhouse Gas Emission Intensity (tonCO <sub>2</sub> e /NTD million)	1.93	1.84	2.06	1.74	1.74

Note:

- a. The statistics of greenhouse gas emission include scope I and scope II from Plant Lioudu and Plant Chungli.
- b. The emission statistics before year 2021 were referred to self-collected, and ISO14041-1 greenhouse gas inventory verification was conducted by the independent institution in year 2022 and the Company is expected to be verified and certified in May, 2023.

➤ Management Policy

TTY Biopharm is a leading manufacturer of biopharmaceuticals. With a view to honoring our commitment to Sustainability and Responsible Use of Resources, we has introduced the ISO 14064-1 GHG inventory verification in year 2022 and is expected to be verified in May, 2023. Simultaneously, prior to September 30, 2023, the Company plan to formulate a proactive plan for power conservation and carbon reduction and concrete power saving targets (power savings of 2% in year 2023 compared to year 2022) in accordance with ISO14064-1 verification results. In the future, we will conduct ongoing assessments of green, energy-efficient facility purchases and installations coupled with the establishment of a green supplier management mechanism. We also plan to join climate advocacy organizations or alliances. The ultimate goal lies in the implementation of energy management and environmental protection policies through concrete action in the fields of energy conservation, carbon reduction, and search for alternative energy forms.

▼ Electricity conservation measures and performance in year 2022

Sites Items	Lioudu	Chungli
Plan	<p>The fans of cooling water tower pump in plant C has improved to increase efficiency, and the fan blades were replaced with energy-saving fan blades, reducing around 20% energy.</p> <ul style="list-style-type: none"> <li>▪ Total expenditure was 698 thousand in year 2022.</li> <li>▪ In year 2022, a total of 63,023.43 kWh of electricity was saved, and 32.08 ton of CO<sub>2</sub>e greenhouse gas emissions were reduced.</li> </ul>	<p>The cooling water tower of 350T in plant B and replacement of lamps in plant C1.</p> <ul style="list-style-type: none"> <li>▪ Total expenditure was 336thousands in year 2022.</li> <li>▪ In year 2022, a total of 100,202.5 kWh of electricity was saved, and 51 ton of CO<sub>2</sub>e greenhouse gas emissions were reduced.</li> </ul>
Measures	<p>(1) The office light fixtures in Building A were replaced with LED lights.</p> <ul style="list-style-type: none"> <li>▪ Annual power saving 4,145 kWh</li> <li>▪ Reduction of energy consumption by 14,922 megajoules</li> <li>▪ Emission reduction of 2.11 tonCO<sub>2</sub>e</li> </ul>	<p>(1) Replace the T8 lamps with LED lamps. They were recognized for 8 months.</p> <ul style="list-style-type: none"> <li>▪ Power saving 12,812.8 degrees</li> <li>▪ Reduction of energy consumption by 46,126 megajoules</li> <li>▪ Emission reduction of 6.52 tonCO<sub>2</sub>e</li> </ul>

		<p>(2) The 900 RT cooling water tower of Building C Oral Factory is equipped with an automatic dosing machine to control the water quality of the cooling water tower and pipeline's structure problems, and to improve the cooling efficiency of the ice water.</p> <ul style="list-style-type: none"> <li>▪ Annual power saving 33,897.92 kWh</li> <li>▪ Estimated reduction of energy consumption by 122,032.5 megajoules</li> <li>▪ Estimated emission reduction of 17.25 ton CO<sub>2</sub>e</li> </ul> <p>(3) The office light fixtures in wharf area of Building C were replaced from 13 LED lights with 150W to 6 LED lights with 80W.</p> <ul style="list-style-type: none"> <li>▪ Annual power saving 306.17 kWh</li> <li>▪ Reduction in energy consumption by 1,102.2 megajoules</li> <li>▪ Emission reduction of 0.16 ton CO<sub>2</sub>e</li> </ul> <p>(4) Control of cooling water tower in warehouse area and office in Building A.</p> <ul style="list-style-type: none"> <li>▪ Annual power saving 13,361.67 kWh</li> <li>▪ Reduction of energy consumption by 4,802 megajoules</li> <li>▪ Emission reduction of 6.80 ton CO<sub>2</sub>e</li> </ul> <p>(5) Fans of cooling water tower in plant C and replacement of pumps to improve efficiency.</p> <ul style="list-style-type: none"> <li>▪ Annual power saving 7,446 kWh</li> <li>▪ Estimated reduction of energy consumption by 26,805.6 megajoules</li> <li>▪ Estimated emission reduction of 3.79 ton CO<sub>2</sub>e</li> </ul> <p>(6) The office light fixtures in warehouse area were replaced from T8 traditional lamps with LED lamps.</p> <ul style="list-style-type: none"> <li>▪ Annual power saving 3,866.67 kWh</li> </ul>	<p>(2) Water quality control of 350T cooling water tower of plant B</p> <ul style="list-style-type: none"> <li>▪ Annual power saving 87,389.7 kWh</li> <li>▪ Reduction of energy consumption by 314,602 megajoules.</li> <li>▪ Emission reduction of 44.48 ton CO<sub>2</sub>e</li> </ul>	
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	<ul style="list-style-type: none"> <li>▪ Reduction in energy consumption by 13,920 megajoules</li> <li>▪ Estimated emission reduction of 1.97 ton CO<sub>2</sub>e</li> </ul>	
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Note:

- a. Calculation: Purchased electricity 1 kWh =3,600,000 Joule
- b. Since the power emission coefficient data of year 2022 has not been announced, the calculation is based on year 2021 power emission coefficient of 0.509 kgCo<sub>2</sub>e/ kWh announced by the Energy Bureau in 2022.

▼ Electricity conservation plan for year 2023

Sites Items	Lioudu	Chungli
Plan	<p>The Plant Lioudu plans to enhance the performance of Plant C cooling tower fan and bumps and replace traditional lamps in T8 warehouse area with LED lamps.</p> <ul style="list-style-type: none"> <li>▪ In year 2023, a total of 341,267.92 kWh of electricity is estimated to be saved, and 173.71 ton of CO<sub>2</sub>e greenhouse gas emissions will be reduced.</li> </ul>	<p>The Plant Chungli plans to replace the screw chillers in the Plant B with magnetic bearing centrifugal chillers. In addition, to control the quality of water in cooling water tower of 250T in plant B and lighting fixtures of 2<sup>nd</sup> floor and 3<sup>rd</sup> floor in Building B are replaced.</p> <ul style="list-style-type: none"> <li>▪ In year 2023, a total of 572,238 kWh of electricity is estimated to be saved, and 291.32 ton of CO<sub>2</sub>e greenhouse gas emissions will be reduced.</li> </ul>
Measure	<p>(1) Replacement of fans and bumps in cooling water tower</p> <ul style="list-style-type: none"> <li>▪ Estimated annual power saving: 3,723 kWh</li> <li>▪ Estimated reduction of energy consumption: 13,402.8 megajoules</li> <li>▪ Estimated emission reduction: 1.90 ton CO<sub>2</sub>e</li> </ul> <p>(2) Replacement of T8 traditional lamps in warehouse area with LED lamps</p> <ul style="list-style-type: none"> <li>▪ Estimated annual power saving: 6,066.67 kWh</li> <li>▪ Estimated reduction of energy consumption: 21,840 megajoules</li> <li>▪ Estimated emission reduction: 3.09 ton CO<sub>2</sub>e</li> </ul> <p>(3) Replacement of 240T 2 screw chillers with 300RT</p>	<p>(1) Replacement of cooling water bumps for air conditioning in plant B</p> <ul style="list-style-type: none"> <li>▪ Estimated annual power saving: 541,000 kWh</li> <li>▪ Estimated reduction of energy consumption: 1,947,600 megajoules</li> <li>▪ Estimated emission reduction: 275.4 ton CO<sub>2</sub>e</li> </ul> <p>(2) Water quality control of cooling water tower 250T in plant C</p> <ul style="list-style-type: none"> <li>▪ Estimated annual power saving: 26,067 kWh</li> <li>▪ Estimated reduction of energy consumption: 93,841.2 megajoules</li> <li>▪ Estimated emission reduction: 13.29 ton CO<sub>2</sub>e</li> </ul> <p>(3) The lighting fixtures of the 2<sup>nd</sup> floor and the 3<sup>rd</sup> floor in the</p>



	magnetic bearing centrifugal chillers in plant for injection manufacturing. Estimated power saving: 331,478.25 kWh <ul style="list-style-type: none"> <li>▪ Estimated reduction of energy consumption: 1,193,321.7 megajoules</li> <li>▪ Estimated emission reduction: 168.72 ton CO<sub>2</sub>e</li> </ul>	Plant B will be replaced with LED lamps. <ul style="list-style-type: none"> <li>▪ Estimated power saving: 5,171kWh</li> <li>▪ Estimated reduction of energy consumption: 18,615.6megajoules</li> <li>▪ Estimated emission reduction: 2.63 ton CO<sub>2</sub>e</li> </ul>
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Note:

- a. Calculation: Purchased electricity 1 kWh =3,600,000 Joule
- b. Since the power emission coefficient data of year 2022 has not been announced, the calculation is based on year 2021 power emission coefficient of 0.509 kgCo<sub>2</sub>e/ kWh announced by the Energy Bureau in year 2022.

## ② Water consumption

### ➤ Statistics in recent 5 years

#### ▼ Monitoring Result of Effluent and water quality

Sites	Quality	Unit	Local standards	2018	2019	2020	2021	2022
Lioudu	Effluent	Million Liter		79.518	68.292	76.961	91.323	79.936
	COD	mg/L	600	68.34	73.42	22.68	72.94	26.28
	SS	mg/L	600	12.69	16.80	6.31	3.15	6.10
Chungli	Effluent	Million Liter		24.165	37.739	23.811	20.086	19.626
	COD	mg/L	480	87.94	77.36	66.58	13.5	24.24
	SS	mg/L	320	5.65	3.53	4.53	3.55	7.40
Pharmaceutical RD center	Effluent	Million Liter	N/A	1.696	1.905	1.943	1.798	1.833
<b>Total Effluent</b>		<b>Million Liter</b>		<b>105.379</b>	<b>107.936</b>	<b>102.715</b>	<b>113.207</b>	<b>101.395</b>
<b>Consolidated Revenue</b>		<b>NTD thousand</b>		<b>4,036,196</b>	<b>4,466,308</b>	<b>4,221,836</b>	<b>4,535,610</b>	<b>5,061,606</b>
<b>Effluent Intensity</b>		<b>Million Liter/ NTD thousand</b>		<b>0.0000261</b>	<b>0.0000242</b>	<b>0.0000243</b>	<b>0.0000246</b>	<b>0.0000200</b>

➤ Management Policy

Relevant data in the Aqueduct Water Risk Atlas published by the World Resources Institute (WRI) reveals that the water risks on the whole island of Taiwan are rated as Low-Medium (1-2), which doesn't conform to the criteria of a water stress region. The main operating sites in Taiwan including the Lioudu and Plant Chungli and the Pharmaceutical Development Center in Neihu (Neihu Plant and Pharmaceutical Development Center) derive all their water resources from the local water plant. We do not use any groundwater and our water intake does not affect any water sources. Our effluents do not contain any highly concentrated chemical substances. Wastewater with chemicals in low concentrations undergoes primary treatment inside the plants before it is channeled to the sewage treatment plant of the local industrial zone for final treatment to ensure compliance with national effluent standards prior to discharge into the receiving water body. In 2022, the combined water consumption of the Lioudu and Plant Chungli and the Pharmaceutical Development Center in Neihu amounted to around 126.7 million liters and total effluent was 101.395 million liters, 11.812 million liters lower than that in 2022.

In 2022, no leakage or overflow occurred in the discharge of effluents by the Company and all requirements set forth in the Water Pollution Control Act and local government acts and influent water quality standards of sewage treatment plants in industrial zones were met. COD and SS values in effluents discharged by the two major manufacturing bases (Lioudu and Plant Chungli) were significantly lower than the standards set out in local laws and regulations. These effluents therefore had no negative impact on water bodies or biodiversity. In the future, we will persist in our efforts to reinforce our water conservation strategies and adopt systematic water resource management plans. This includes the creation of circulatory systems, recycling and reuse of cooling tower water resources, improvement of cooling procedures, and enhancement of heat recovery rates with the ultimate goal of reducing the demand for water resources. We also reinforce water conservation concepts in our rank-and-file staff and management level to ensure thorough implementation of water conservation initiatives.

▼ Comparison of COD, SS contained in effluent with local regulations and standards

Plant Lioudu		Plant Chungli	
COD	SS	COD	SS
The COD contained in the actual wastewater discharged in year 2022 was 26.28 mg/L, which was 22.83 times lower than the 600 mg/L standard of local regulations.	The SS contained in the actual wastewater discharged in year 2022 was 6.1 mg/L, which was 98.36 times lower than the 600 mg/L standard of local regulations.	The COD contained in the actual wastewater discharged in year 2022 was 24.24 mg/L, which was 19.80 times lower than the 480 mg/L standard of local regulations.	The SS contained in the actual wastewater discharged in year 2022 was 7.4 mg/L, which was 43.24 times lower than the 320 mg/L standard of local regulations.

③ Waste

➤ Statistics in recent 5 years

▼ Waste defined based on composition (Unit: ton)

Items \ Year	2018	2019	2020	2021	2022
<b>Hazardous Industrial Waste</b>	19.08	15.83	25.18	25.59	28.55
<b>Non-hazardous Industrial Waste</b>	13.04	10.13	13.95	19.43	21.18
<b>Total Waste</b>	32.12	25.96	39.13	45.02	49.73

▼ Direct waste disposed based on disposal operation (Unit: ton)

Disposal \ Year		2018	2019	2020	2021	2022
Hazardous Waste	Incineration (with energy recovery)	—	—	—	—	14.82
	Incineration (without energy recovery)	17.05	13.75	22.09	22.23	13.73
	Landfill	—	—	—	—	—
	Other disposal operations (physical process)	2.03	2.08	3.09	3.36	—
	<b>Total</b>	<b>19.08</b>	<b>15.83</b>	<b>25.18</b>	<b>25.59</b>	<b>28.55</b>
Non-Hazardous Waste	Incineration (with energy recovery)	—	—	—	—	—
	Incineration (without energy recovery)	0.79	1.01	No disposal	4.27	5.53
	Landfill	—	—	—	—	—
	Other disposal operations (physical process)	12.25	9.12	13.95	15.16	15.65
	<b>Total</b>	<b>13.04</b>	<b>10.13</b>	<b>13.95</b>	<b>19.43</b>	<b>21.18</b>

➤ **Management Policy**

With a view to realizing our goals of eco-friendliness and sustainable government, we not only employ professional technical personnel pursuant to the provisions set forth in Article 28, Paragraph 2 of the Waste Disposal Act but also take the initiative in training dedicated personnel. In 2022, 5 professional technicians (2 in the Plant Lioudu, 2 in the Plant Chungli, and 1 in the Neihu Plant) were exclusively responsible for waste treatment. Waste disposal plans are submitted according to the law and implemented upon review and approval by agencies commissioned by competent authorities of special municipality/county/city governments or the central government. We conclude contracts with qualified waste collection and treatment organizations to ensure proper disposal and treatment of industrial and domestic waste as required by the law.

In addition, waste collection and tracking management guidelines have been formulated pursuant to the norms and standards set forth in Article 14, Paragraph 2 of the Regulations Governing Disposal and Treatment by the Public and Private Sector. Waste contractors are required to report waste collection and disposal equipment for approval. All vehicles utilized by the Company for removal and transportation of industrial waste must be equipped with a GPS (global positioning) system and vehicle trajectory reporting rates must reach 90% to facilitate real-time monitoring by competent authorities and the Company.

With a view to maintaining a firm grasp of waste flows and reinforcing audits of waste disposal businesses, we submit relevant documents for assessment and abnormal GPS tracking records for collection and disposal vehicles. Monthly tracking and assessment of businesses responsible for waste treatment is implemented. We also have an annual on-site inspection mechanism in place to confirm output and flow directions after treatment. Furthermore, we carry out vehicle tracking audits on a non-periodic basis to ensure that waste collection and treatment businesses perform their operations according to the law. In 2022, our total solid waste amount reached around 49.73 metric tons. All generated waste was collected and treated off-site by qualified businesses. Weekly and monthly assessment completion rates in the Chungli and Plant Lioudu reached 100%. No violations of provisions set forth in the Waste Disposal Act or environmental impacts in the vicinity of plant areas occurred in 2022.

▼ **Check for the vendors responsible for waste disposal in Year 2021**

Sites	Weekly achievement	Monthly achievement	On-site check	Non-periodic GPS check
Chungli	100%	100%	2	2
Lioudu	100%	100%	2	3
Neihu	100%	100%	0	0

**(7) Performance status for Ethical Management operation and its differing from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, and the reasons**

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
<p>1. Develop ethical management policy and program</p> <p>(1) Has the Company established Ethical Management Policy which was approved by Board of Directors, and expressively stated policy, measures as well as Board of Directors and senior management’s commitments to aggressively fulfill operation policy for Ethical Management in Articles of Incorporation and external documents?</p>	✓		<p>(1) For the purpose of building up ethical management corporate culture and establishing reference structure for excellent business practices, the Company established, through approval from Board of Directors’ resolution, “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” on December 29th, 2016 and March 29th, 2018 respectively. They have specifically prescribed attention matters for employees during their execution of business, and expressively stipulated prevention measures for various unethical behavior. Director, manager and employees are strictly prohibited to be engaged in any offering or accepting of bribe or illegal behavior. Through rigorous management mechanisms and effective controls, risks of ethic violation are therefore minimized accordingly.</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established assessment mechanisms for unethical behavior, conducted regular analysis and assessment over business activities of higher unethical behavior risks within scope of business and established accordingly programs to prevent unethical behavior which at least covers preventions measures for various behaviors prescribed in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(2) To prevent unethical behavior, the Company has established unethical behavior risk assessment mechanism. “Ethical Management Promotion Center” shall interview units with higher unethical behavior risks within their business scope, assess risk levels of their business activities and enhance related internal control systems accordingly. Furthermore, all of the Company’s senior management (General Manager and Vice General Manager) signed “Statement of Compliance with the Ethical Management Policy” which declares rigorous compliance with the Company’s Ethical Management Policy. The Company’s “Procedures for Ethical Management and Guidelines for Conduct” has specifically prescribed attention matters for the Company’s employees during their execution of business as well as punishment for violation and appeal system. This Procedures for Ethical Management and Guidelines for Conduct has expressively prescribed prevention measures for various unethical behaviors. Director, manager and employee are strictly prohibited to be engaged in any offering or receiving bribe or illegal behavior.	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Has the Company expressively established operation procedures, behavior guidelines, violation punishment and appeal system in unethical behavior prevention program, implement this program rigorously and regularly review and amend the aforementioned program?	✓		<p>Measures of punishment, employment suspension or employment termination will be imposed accordingly depending on actual situations upon engagement of activities violating requirements.</p> <p>(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 employment will be imposed accordingly based on actual circumstances.</p> <p>This Procedures for Ethical Management and Guidelines for Conduct has been amended on October 7<sup>th</sup>, 2019 and March 16<sup>th</sup>, 2020 respectively after it was established on March 29<sup>th</sup>, 2018.</p>	No discrepancies
<p>2. Implementation ethical management</p> <p>(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?</p>	✓		<p>(1) The Company's "Procedures for Ethical Management and Guidelines for Conduct" expressively prescribes that, when entering agreements with others, counterparty's ethical</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established an unit which reports to Board of Directors and which is responsible for promoting corporate ethical management, and reported regularly (at least once a year) its ethical management policy and unethical behavior prevention program as well as its supervision and execution situations?	✓		<p>management status shall be fully understood, and shall establish related requirements on unethical behavior prevention in transaction agreements of distribution, supply and commissioned service.</p> <p>(2) The Company drafted “Procedures for Ethical Management and Guidelines for Conduct” and established “Ethical Operation Promotion Center” under “Sustainable Development Committee”. General Manager assumes the post of convener for “Ethical Operation Promotion Center”. The Ethical Management Promotion Center includes administrative team and investigation team. The Finance Department is in charge of administrative task, and its main responsibilities are to formulate and revise the ethical-related regulations such as “ethical management procedures and behavior guidelines”, to conduct internal training of ethical management, to propose the reporting mechanism, to process if illegal benefit received by the colleagues and to collect the ethical operational-related activities. This operation result will report to the Sustainable Development Committee and the</p>	No discrepancies



Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>Board of Directors on an annual basis.</p> <p>The head of the Legal and Compliance Department is responsible for the receipt of e-mails sent to the reporting mailbox, submitting the receipt of reporting emails to the Sustainable Development Committee on a quarterly basis. When reporting case occurs through this channel, the Processing &amp; Investigation Division springs into action immediately and the heads of relevant units form investigation task forces that conduct inquiries as required based on the identity of the accused. The Auditing Office conducts quarterly audits regarding receipt of reports in the reporting mailbox and the implementation of ethical management.</p> <p>① Receipt of reporting mailbox A total of 463 emails were received, including 2 anonymous reports related to work flow. The Company has completed internal investigation and the result was reported to the Sustainable Development Committee on August 5, 2022. The others are advertising emails.</p>	

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>② Training</p> <ul style="list-style-type: none"> <li>- Online course of "The promotion of ethical management": Sessions were conducted semi-annually, and 100% of total 540 employees in the first half year, and 100% of total 521 employees in the second half year completed online courses and passed the quizzes.</li> <li>- Online course of "The principles of prevention of inside trading and major commercial cases", and 100% of total 540 employees in the first half year, and 100% of total 521 employees in the second half year completed online courses and passed the quizzes.</li> <li>- Physical seminar of Prevention of Insider Trading: the Company has invited external lawyer to have this session, and 7 directors and 54 executive managers have participated through on-site and live broadcasting.</li> </ul> <p>③ Response to reporting cases 2 anonymous emails shows that concerns of work flow, and the assigned supervisor completed the internal investigation. There was no impact arising from aforementioned quality control issue for</p>	

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(3) Does the company develop conflict of interest policy, provide proper petition channel and implement the execution?	✓		<p>finished products but the procedure could be improved. A corrective and preventive measure has been established, and the auditing office has tracked their implementation.</p> <p>(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.</p>	No discrepancies
(4) Has the Company already established effective accounting system and internal control system in order to fulfill Ethical Management, and reached risk assessment result on unethical behavior conducted by internal audit unit, and established related audit plans which have been utilized accordingly to verify situations of compliance with unethical behavior prevention program, or commissioned accountants to conduct inspection accordingly?	✓		(4) The Company establishes accounting system and internal control system in accordance with related laws and regulations. In addition to ethical management status inspected by heads of respective units inside the Company, audit personnel also conducts inspections on related unethical behavior prevention for the purpose of insider trading prevention in accordance with annual audit plan.	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(5) Does the company routinely hold domestic and external educational training for ethical management?	✓		(5) The Company announces its “Procedures for Ethical Management and Guidelines for Conduct” all employees through emails, and discloses accordingly on internal website. Additionally, the Company announced the ethical management policy via internal notification and also introduces the regulations of prevention of unethical behavior to new members of TTY Biopharm. In addition to arrange annual online courses such as ethical management, prevention of insider trading, business secrets and drug safety monitoring and information security and require all employees fully complete these courses, the Company also arrange physical courses irregularly to ensure employees understand and comply with the regulations. In terms of the course of “ethical operation introduction”, the main topic include identification the type of benefits and the type of unethical behavior, and emphasis on the reporting mechanism and the regulations about reward and punishment. Semi-annual courses were conducted in year 2022, total 540 employees in the first half year and total 521 employees in the second half	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
			<p>year completed the online course (including reading and quiz), and total training hours was 178 hours. We educate our directors, managers, and rank &amp; file staff on applicable laws governing the prevention of insider trading at least on annual basis. In year 2022, the Company conducted semi-annual courses of “the principles of prevention of inside trading and major commercial cases”. Total 540 employees in the first half year and total 521 employees in the second half year completed the online courses (including reading and quiz) and total training hours was 381 hours.</p> <p>In addition to online courses, the Company has invited an external lawyer to conduct 1 physical seminar of “Prevention of Insider Trading” and 7 directors and 54 executive managers have participated this seminar through on-site and live broadcasting, total training hours was 183 hours</p>	
<p>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?</p>	✓		<p>(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</p>	No discrepancies

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
(2) Has the Company established investigation standard operation procedures for accepted report matters as well as subsequent measures and related confidentiality mechanisms after investigation is completed?	✓		official website and internal employee website, with “Ethical Operation Promotion Center” designated personnel responsible for receiving cases reported.  (2) “Ethical Operation Promotion Center Operation Rules” is drafted under the Company’s “Procedures for Ethical Management and Guidelines for Conduct.” These operation rules explicitly prescribe investigation standard operation procedures, subsequent measures after investigation and confidentiality mechanism for receiving matters reported.	No discrepancies
(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 Operation Promotion Center 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

Items	Operations (Note 1)			Discretions with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Y	N	Summary and Description	
4. Strengthen information disclosure Does the company disclose the content of ethical management practice developed and promote the effectiveness on the company website and Market Observation Post System?	✓		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: The 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 goal of sustainable operations.				

**(8) 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,” “Ethical Management Principles,” “Procedures for Ethical Management and Guidelines for Conduct” and “Sustainable Development Practice Guidelines.” These principles are fully disclosed in the unit of “investors/corporate governance/major corporate policies” on the Company’s website.

**(9) 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 :**

- ① To enhance corporate governance the Company established the Audit Committee in composition of 3 independent directors starting June, 2016.
- ② To conduct risk management against uncertain factors that may threaten the company's business operations, the company established a risk management center on December 28, 2020, which is subordinate to Sustainable Department Committee, and the "Risk Management Policies and Procedures" approved by board of directors, Clearly stipulate that the company's "risk management policy" defines various risks in accordance with the overall operating policy and strategy, and establishes a management mechanism for identifying, evaluating, handling risks, and effective supervision and review to avoid or reduce the impact of company's operations and to ensure the sustainable development of the enterprise.
- ③ To enable investors to understand the Company's financial and business status, the Company was invited to participate in 4 investor seminars in year 2022.
- ④ The Company disclosed comprehensive corporate governance status on official website. Corporate governance related requirements and systems are disclosed on the Market Observation Post system.



## **(10) Internal Control System Execution Status**

### **① Statement of Internal Control System**

TTY Biopharm Company Limited

### **Statement of Internal Control System**

March 14, 2023

TTY Biopharm Company Limited has conducted a self-check of internal control for the year of 2022 .  
The results are as follows: :

1. The Company acknowledges that the Board of Directors and managerial officers 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, timeliness, transparency, 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, 2022 (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, timeliness, transparency, 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 14, 2023 with 9 directors presented at the meeting and none disagreeing with this Statement of Internal Control System.

TTY Biopharm Company Limited  
Chairman : Chuan Lin  
General Manager : Sara Hou

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

**(11) In the most recent year and up to the printing date of the annual report, if the Company and its internal personnel were punished according to law, or if the Company punished its internal personnel for violating the provisions of the internal control system, and the results of such punishment may have a significant impact on shareholders’ equity or securities prices, the punishment content, major defects, and improvement status shall be specified: None.**

**(12) Major Resolutions Made In Shareholders’ Meeting and Board Meetings:**

Date and Types of Meetings	Important Resolutions
Board of directors Mar. 9, 2022	<ol style="list-style-type: none"> <li>1. Planned to subscribe Company X’s cash capital increase.</li> <li>2. Planned to change the distribution and transfer price of product X in Thailand.</li> <li>3. Planned amendment of the Company’s “Article of Incorporation”.</li> <li>4. Planned amendment of the Company’s “Operation Procedure of Acquisition and Disposal of Assets”.</li> <li>5. Intended to adjust the organization’s name and the title of salary structure table.</li> <li>6. Planned amendment of the Company’s “Organization Regulations”.</li> <li>7. Proposal of changes in the Company’s General Manager.</li> <li>8. Proposal of changes in the Company’s managerial officers.</li> <li>9. The Employees’ Compensation of the Company in 2021.</li> <li>10. The Directors’ Compensation of the Company in 2021.</li> <li>11. Year 2021 Business Report and Financial Report.</li> <li>12. Year 2021 Earnings Distribution Proposal.</li> <li>13. Date, venue, and agenda for the year 2022 Annual General Meeting.</li> <li>14. Formulation of the year 2021 Internal Control Statement.</li> <li>15. Year 2022 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.</li> <li>16. 2022 Pay Raise Strategy.</li> <li>17. Discussion of Fixed Remuneration for the Company’s Chairman.</li> </ol>
Board of directors May 13, 2022	<ol style="list-style-type: none"> <li>1. Proposal of New Business Model.</li> <li>2. The Consolidated Report for the first quarter of year 2022.</li> <li>3. Commissioning of the Company by a Subsidiary to add new commissioned items for development.</li> <li>4. Intention of endorsement guarantee to a Subsidiary.</li> <li>5. Proposal to change the designation of the custodian of the company seal registered by the Ministry of Economic Affairs of the company.</li> <li>6. Planned formulation of “Schedule of Greenhouse Gas Inventory and Verification”</li> </ol>

Date and Types of Meetings	Important Resolutions
Board of directors Jul. 01, 2022	<ol style="list-style-type: none"> <li>1. Set up Ex-dividend Date and Payment Date.</li> <li>2. Planned Amendment of the Company's "Operating Procedure of Transaction on Related party"</li> </ol>
Board of directors Aug. 05, 2022	<ol style="list-style-type: none"> <li>1. The Consolidated Report for the second quarter of year 2022.</li> <li>2. Planned Amendments over the Company's "Other Management System-Related Party Transaction" under Internal Control System and Internal Audit System.</li> <li>3. Planned to launch employee stock ownership trust of the Company.</li> <li>4. Intention to distribute compensation to the Company's subsidiary director representative upon performance of the year 2021 director duty.</li> <li>5. Discussion over year 2021 Managerial Officers' Remuneration Distribution.</li> </ol>
Board of directors Nov. 04, 2022	<ol style="list-style-type: none"> <li>1. The Consolidated Report for the third quarter of year 2022.</li> <li>2. Planned of Dissolution of oversea Company X.</li> <li>3. Proposal of Organization Adjustment.</li> <li>4. Planned Amendment of the Company's "Organization Regulations".</li> <li>5. Planned Amendment of the Company's "Regulation of Subsidiary Management".</li> <li>6. Planned Amendment of the Company's "Rule of Procedure for Board of Meeting".</li> <li>7. Planned Amendment of the Company's "Other Management System-Operation Management of Board of Meeting".</li> <li>8. Proposal of Change of Chief Auditor.</li> <li>9. Lifting of non-compete restrictions for the management.</li> </ol>
Board of directors Dec. 23, 2022	<ol style="list-style-type: none"> <li>1. Establishment of the Company's year 2023 Operation Plan &amp; Budget Proposal.</li> <li>2. Proposal of Change of New Business Model.</li> <li>3. Intended to In-licensing Oncology Drug X.</li> <li>4. Planned of Dissolution of oversea Company X.</li> <li>5. Intended to Authorize to Invested Company for the Negotiation of Contract and Transfer Price on the products which was distributed by the Invested Company.</li> <li>6. Commissioning of the Company by an invested company to provide product marketing research and investigation consulting services.</li> <li>7. Subsidiaries Leased Office from the Company.</li> <li>8. Planned formulation of the year 2023 Audit Plan.</li> <li>9. Planned Amendment of the Company's "Organization Regulations".</li> <li>10. Planned Amendment of the Company's "Policy and Procedure of Risk Management".</li> <li>11. Planned amendment of the Company's "Procedure of Internal Material Information and Prevention of Insider Trade".</li> </ol>

Date and Types of Meetings	Important Resolutions
	<ol style="list-style-type: none"> <li>12. Planned formulation of “Principles of Pre-Approval Policy on Non-Assurance Service”</li> <li>13. Commissioning of KPMG on regular assurance service and non-assurance service in year 2023.</li> <li>14. Year 2023 assessment of CPA independence and professional qualifications, CPA appointment, and financial and tax audit fees.</li> <li>15. Change of Managerial Officer.</li> </ol>
<p>Board of directors Mar 14, 2023</p>	<ol style="list-style-type: none"> <li>1. The Employees’ Compensation of the Company in 2022.</li> <li>2. The Directors’ Compensation of the Company in 2022.</li> <li>3. Year 2022 Business Report and Financial Report</li> <li>4. Year 2022 Earnings Distribution Proposal.</li> <li>5. Planned Amendment of the Company’s “Articles of Incorporation”.</li> <li>6. Planned Amendment of the Company’s “Principles of Procedure of Shareholders’ Meeting”.</li> <li>7. Planned Amendment of the Company’s “Other management system- Management of prevention of insider trading”.</li> <li>8. Planned Amendments over The Company’s “Internal Approval Authority Guidelines”.</li> <li>9. Date, venue, and agenda for the year 2023 Annual General Meeting.</li> <li>10. Propose to Disposal of Inventory.</li> <li>11. Intended to increase budget for the re-construction of Plant Chungli.</li> <li>12. Proposal of change of trading terms for Invested Company’s distribution agency products under the Company’s authorization.</li> <li>13. Proposal to authorize a subsidiary to promote drugs of the Company.</li> <li>14. The invested Company has Commissioned the Company to Provide Professional Product Operating Management Services.</li> <li>15. Proposed to approve the Capital Reduction and Cash Refund of a Subsidiary.</li> <li>16. Formulation of the year 2022 Internal Control Statement.</li> <li>17. Formulation of “Schedule of Greenhouse Gas Inventory and Verification” of a Subsidiary and Regular Report to the Company.</li> <li>18. Proposal to In-license new oncology drug.</li> <li>19. 2023 Pay Raise Strategy.</li> <li>20. Discussion of Remuneration for the Company’s Independent Directors.</li> <li>21. Discussion of Fixed Remuneration for the Company’s Chairman.</li> <li>22. Discussion of Fixed Remuneration for the Company’s General Manager.</li> <li>23. Intention of a Subsidiary to Conduct Capital Reduction to Write Off Accumulated Losses.</li> </ol>

Date and Types of Meetings	Important Resolutions
Annual General Meeting May 26, 2022	<ol style="list-style-type: none"> <li>1. Year 2021 Business Report and financial statements</li> <li>2. Year 2021 Profit Distribution Execution Status: Ex-dividend date is Jul. 25, 2022, and cash dividend of NTD 745,949,877 dollars (with NTD 3.0 dollars for each share) were distributed to shareholders. Cash dividend was distributed on August 15<sup>th</sup>, 2022.</li> <li>3. The Amendment of “Articles of Incorporation” Execution Status: The registration has been approved by the Department of Economic Affairs on June 09<sup>th</sup> 2022. The amended “Articles of Incorporation” will disclose on “Investors/Corporate Governance/Major Corporate Policy” on the Company’s website.</li> <li>4. The Amendment of “Procedures for Acquisition or Disposal of Assets” Execution Status: The amended “Procedures for Acquisition or Disposal of Assets” will disclose on “Investors/Corporate Governance/Major Corporate Policy” on the Company’s website and the Company will conduct accordingly.</li> </ol>

**(13) 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.**

**(14) Table Of Resignation And Dismissal Of The Chairman, President, Accounting Officer, Finance Officer, Internal Chief Auditor, Corporate Governance Head 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**

Apr 30, 2023

Title	Name	Date Of Employment	Date Of Discharge	Reason For Resignation / Discharge
General Manager	Chuan Lin	2021.10.18	2022.04.18	Owing to operation needs and the clear division between duty and responsibility, Ms. Sara Hou is appointed to assume as General Manager.
Chief Auditor	Jung-Liang Kao	2019.03.26	2022.11.07	Job Relocation

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

#### 4. Information on Certified CPAs' Fees

##### (1) Information on Certified CPAs' Fees:

Unit: NT\$ Thousand

CPA Firm Name	Name of CPAs	Auditing period	Auditing fee	Non-Auditing fee	Total	Remark
KPMG Taiwan	Yi-Lien Han, and Shu-Ying Chang	2022/01/01   2022/12/31	2,850	860	3,710	Non-Audit Expense: Tax \$ 460 Transfer pricing \$ 400

**(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: Not applicable.**

**(3) When The Auditing Fee Is Decreased By Over 10% from the Prior Year, Shall State the Amount of Auditing Fee Reduced, Ratio, And Reasons: Not applicable.**

#### 5. Alternation of CPA

There is no alternation of CPA for the Company 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, Managerial Officers and Holders Of 10% or More of Company Shares

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

Title	Name	2022		Up to April 2 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	Chuan Lin	0	0	0	0
Vice Chairman	Wen-Hwa Chang	0	0	0	0
Director	Dawan Technology Company Limited.	0	0	0	0
	Representative: Carl Hsiao	0	0	0	0
Director	Tze-Kaing Yang	0	0	0	0
Director	Hsiu-Chi Chang	0	0	0	0
Director	Ying-Ying Liao	0	0	0	0
Independent Director	Duei Tsai	0	0	0	0
Independent Director	Ming-Ling Hsueh	0	0	0	0
Independent Director	Tien-Fu Lin	0	0	0	0
General Manager	Sara Hou	0	0	0	0
Senior Vice General Manager, Pharmaceutical Development Center	Yu-Fang Hu	0	0	0	0
Senior Assist Vice President, Healthcare Unit	Da-Cheng Feng	0	0	0	0
Senior Assist Vice President, Manufacturing Center	Shih-Chuan Lin	0	0	0	0
Assist Vice President, Oncology Business Unit	Hsiang-Ju Hung	0	0	0	0
Senior Assist Vice President, Administration Division	Nai-Wei Liu	0	0	0	0
Chief Financial Officer	Kuo-Chiang Chang	0	0	0	0
Chief Legal and Compliance Officer	Shu-Fen Huang	0	0	0	0
Chief Human Resource Officer	Jen-Yang Chang	0	0	0	0
Chief Audit Executive	Yong-Min Jiang	0	0	0	0
Accounting Officer	Shu-Wen Wang	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.

## 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

Apr. 02, 2023

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: Ying-Chun Hsiao	23,526,732 4,985,524	9.46 2.01	- -	- -	- -	- -	Ying-Chun Hsiao	Chairman	
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing Tsai	9,130,000	3.67	-	-	-	-	None	None	
Wen-I Chang	6,048,831	2.43	1,002,320	0.40	-	-	Chun-Jen Chang	Second-degree relative	
							Wen-Hwa Chang	Second-degree relative	
							Wen-Ling Chang	Second-degree relative	
Nan Shan Life Insurance Co., Ltd Representative: Yin, Chong-Yao	5,848,000	2.35	-	-	-	-	None	None	
Hsiao, Ying-Chun	4,985,524	2.01	-	-	-	-	Dawan Technology Company Limited.	Chairman	
Wen-Hwa Chang	4,409,800	1.77	-	-	-	-	Chun-Jen Chang	Second-degree relative	
							Wen-I Chang	Second-degree relative	
							Wen-Ling Chang	Second-degree relative	
Wen-Ling Chang	4,182,960	1.68	-	-	-	-	Wen-Hwa Chang	Second-degree relative	
							Chun-Jen Chang	Second-degree relative	
							Wen-I Chang	Second-degree relative	
Chun-Jen Chang	3,897,420	1.57	2,577,207	1.04	-	-	Wen-Hwa Chang	Second-degree relative	
							Wen-I Chang	Second-degree relative	
							Wen-Ling Chang	Second-degree relative	
Morgan Stanley & Co. International Plc	3,400,061	1.37	-	-	-	-	None	None	
Norges Bank	3,353,918	1.35	-	-	-	-	None	None	

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**

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		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%	142,500	15.00%	522,500	55.00%
PharmaEngine, Inc.	25,866,808	18.00%	0	0	25,866,808	18.00%
American Taiwan Biopharma Philippines Inc.	481,169	87.00%	0	0	481,169	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%	882,059	2.30%	22,569,236	58.78%
EnhanX Biopharm Inc.	5,000,000	20.83%	7,000,000	29.17%	12,000,000	50.00%
CY Biotech Company Limited	16,645,697	49.05%	1,319,808	3.89%	17,965,505	52.94%
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	240,000	100.00%	0	0	240,000	100.00%

Note: The listed ones are investments recognized via equity method on standalone 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

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
2007.11	10	95,000	950,000	92,932	929,319	Decrease in Treasury Stock	None	Note 25
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	Note 27
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
2020.07	10	500,000	5,000,000	248,650	2,486,500	Increase of Authorized Capital	None	Note 33

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.

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
<p>Note 16: Approved by Jin Shou Shang Tze No. 09401138890 dated July 22, 2005.</p> <p>Note 17: Approved by Jin Shou Shang Tze No. 09401181080 dated September 13, 2005.</p> <p>Note 18: Approved by Jin Shou Shang Tze No. 09401206980 dated October 20, 2005.</p> <p>Note 19: Approved by Jin Shou Shang Tze No. 09501010730 dated January 28, 2006.</p> <p>Note 20: Approved by Jin Shou Shang Tze No. 0950107550 dated April 26, 2006.</p> <p>Note 21: Approved by Jin Shou Shang Tze No. 09501199130 dated September 8 2006.</p> <p>Note 22: Approved by Jin Shou Shang Tze No. 09601173790 dated July 20, 2007.</p> <p>Note 23: Approved by Jin Shou Shang Tze No. 09601234620 dated September 29, 2007.</p> <p>Note 24: Approved by Jin Shou Shang Tze No. 09601263450 dated October 26, 2007.</p> <p>Note 25: Approved by Jin Shou Shang Tze No. 09601280570 dated November 16, 2007.</p> <p>Note 26: Approved by Jin Shou Shang Tze No. 09701244740 dated September 22, 2008.</p> <p>Note 27: Approved by Jin Shou Shang Tze No. 09801199890 dated September 1, 2009.</p> <p>Note 28: Approved by Jin Shou Shang Tze No. 09901230540 dated October 14, 2010.</p> <p>Note 29: Approved by Jin Shou Shang Tze No. 10001205420 dated September 6, 2011.</p> <p>Note 30: Approved by Jin Shou Shang Tze No. 10101189490 dated September 17, 2012.</p> <p>Note 31: Approved by Jin Shou Shang Tze No. 10201185540 dated September 10, 2013.</p> <p>Note 32: Approved by Jin Shou Shang Tze No. 10301181010 dated September 5, 2014.</p> <p>Note 33: Approved by Jin Shou Shang Tze No. 10901115360 dated July 2, 2020.</p>								

Unit: Share

Category of Share	Authorized Capital Stock		
	Outstanding Shares (Note 1)	Unissued Shares	Total
Registered Common Share	248,649,959	251,350,041	500,000,000

Note 1: Over-the-Counter Company Stock

Note 2: Shelf Registration Form Related Information: None.

## (2) Structure of Shareholders

April 02, 2023(Unit: Number; Share)

Structure of Shareholders	Governmental Institution	Financial Institution	Other Institutions	Foreign Institutions and Foreign Individuals	Individuals	Total
Number of Persons	4	12	272	223	42,965	43,476
Shareholding (shares)	2,671,879	20,595,000	32,593,559	51,408,563	141,380,958	248,649,959
Shareholding Ratio (%)	1.08%	8.28%	13.11%	20.67%	56.86%	100.00%

## (3) Status of Ownership Dispersion

April 02, 2023

Shareholding class			Number of Shareholders	Shareholding (shares)	Shareholding Ratio (%)
1	to	999	23,249	1,142,109	0.46
1,000	to	5,000	16,409	32,394,665	13.03
5,001	to	10,000	1,943	15,241,740	6.13
10,001	to	15,000	627	7,954,737	3.20
15,001	to	20,000	377	6,969,050	2.80
20,001	to	30,000	298	7,598,794	3.06
30,001	to	40,000	140	5,001,610	2.01
40,001	to	50,000	80	3,690,278	1.48
50,001	to	100,000	167	11,518,419	4.63
100,001	to	200,000	77	11,005,996	4.43
200,001	to	400,000	40	11,321,072	4.55
400,001	to	600,000	14	6,806,123	2.74
600,001	to	800,000	14	9,817,879	3.95
800,001	to	1,000,000	9	8,153,436	3.28
More than 1,000,001			32	110,034,051	44.25
Total			43,476	248,649,959	100.00

Note: No preferred share issued.

#### (4) List of Major Shareholders

April 02, 2023

Major Shareholders	Shareholding (shares)	Shareholding Ratio (%)
Dawan Technology Company Limited	23,526,732	9.46
Fubon Life Insurance Co., Ltd.	9,130,000	3.67
Chang, Wen-I	6,048,831	2.43
Nan Shan Life Insurance Co., Ltd.	5,848,000	2.35
Hsiao, Ying-Chun	4,985,524	2.01
Chang, Wen-Hwa	4,409,800	1.77
Chang, Wen-Ling	4,182,960	1.68
Chang, Chun-Jen	3,897,420	1.57
Morgan Stanley & Co. International Plc	3,400,061	1.37
Norges Bank	3,353,918	1.35

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

Unit: NT\$; share

Item		2021	2022	1Q 2023 (Note)	
Market Price Per Share	Highest	97.5	88.5	85	
	Lowest	60.8	66.7	76	
	Average	81.84	76.96	78.83	
Book Value Per Share	Before Distribution	20.78	22.76	—	
	After Distribution	17.78	—	—	
EPS (Earning Per Share)	Weighted Average Number Of Shares	248,650	248,650	—	
	EPS (Earning Per Share)	3.35	4.4	—	
Dividend Per Share	Cash Dividend	3	3.4	—	
	Stock Dividend	Stock Dividend from Retained Earnings	0	0	—
		Stock Dividend from Capital Surplus	0	0	—
	Cumulative Un-paid Dividend	None	None	—	
Analysis of Return on Investment	Price-Earnings (P/E) Ratio	24.43	17.49	—	
	Price-Dividend Ratio	27.28	22.64	—	
	Cash Dividend Yield (%)	3.67	4.42	—	

Note: There is no financial information for the 1<sup>st</sup> quarter of year 2023 that has been reviewed by the CPA as of the publication date of the annual report.

## **(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 maintaining investors' rights. Under the Company's Articles of Incorporation:

- (i) The Company's earnings, if any, at the end of fiscal year, shall pay tax first and recover accumulated losses before contributing 10% for legal reserve. However, this shall not be applied if legal reserve hereto has already reached the amount of share capital. After residual amount from aforementioned calculation is added to unappropriated earnings from previous period, a contribution or reversal to special reserved shall then be conducted in accordance with regulations or competent authority's requirements. At the end of each fiscal year, the Board of Directors will propose earnings distribution based on considerations of the Company's profits, capital and financial structure, future business needs, accumulated earnings and legal reserve, market competition conditions as well as shareholders' interests. The proposal hereto shall be submitted to Annual General Meeting for resolution before being executed accordingly. Contribution of legal reserve prescribed in the preceding paragraph shall be based on "after-tax net income for the period and other profit items adjusted to the current year's undistributed earnings."
- (ii) The Company adopts principle of conservatism in its distribution of dividend. In the event of surplus from the Company's fiscal account, a contribution of not lower than 70% of the balance amount after tax payment, accumulated loss recovery, contribution of legal reserve and contribution or reversal of special earnings reserve as required by laws shall be made to serve as shareholder dividend in accordance with requirements of Article 29 under the Company's Articles of Incorporation. This can be conducted in cash or stocks. Percentage for cash dividend distribution shall not lower than 70% of the total dividend amount.
- (iii) Based on the Company's principles of stability and balance for financial structure and dividend payout, the Company may distribute all or part of reserve or retained earnings from previous period in accordance with laws or competent authority's requirements in the event that there is no surplus for distribution in current period, or there is surplus but surplus amount is obviously lower than the Company's surplus actually distributed in the previous year. In the event of disposal of real estate, equity investments or intangible assets in the current year, all or a portion of difference between



disposal amount and acquisition cost, or income received from litigation or commercial dispute, can be retained accordingly. Restrictions on distribution percentage prescribed in paragraph 1 of Article 30 under the Company's Articles of Incorporation shall not apply.

- ② The proposal to this Annual General Meeting for dividend distribution is as follows:
  - (i) Pursuant to the regulations set forth in Item 3 of Article 30 of the Articles of Incorporation, in the event that the Company distributes dividend in cash, the Board of Directors Meeting is hereby authorized to execute this after two-thirds of directors attend Board of Directors Meeting and consent from half of attending directors is obtained, and the Annual General Meeting shall be reported accordingly.
  - (ii) The Board of Directors of the Company has resolved and proposed to allocate cash dividend of NT\$ 845,409,861 or NT\$ 3.40 per share from distributable earnings, and the distribution of cash dividend will be dated on May 5<sup>th</sup>, 2023.
- ③ Description on expected major changes in dividend policy  
The Company expects no major changes in dividend policy.

**(7) The Impact of the Distribution of Stock Dividend as Proposed in This Annual General 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. Employee remuneration may be distributed in the form of shares or cash. Terms and distribution measures are hereby authorized to the Board of Directors for decision. Director's remuneration shall only be distributed in the form of cash.
- 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 14<sup>th</sup>, 2023, the Company's Board of Directors approved that estimated basis for distribution of the Company's year 2022 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 year 2022 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 14<sup>th</sup>, 2023, the Company's Board of Directors approved distribution of the Company's 2022 employee and directors remuneration NTD 24.328 million and NTD14.95 million respectively, 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 2022.

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 year 2021, the Company's actual distributed amount for employee bonus is NTD 23.195 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 year 2021 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 incompleteness of previous 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) CF01011 Medical 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 Breakdown and Percentage (Year 2022)

Unit: NT\$ Thousand

Major Source of Revenue	Sales Revenue	Percentage (%)
Medical and healthcare products	4,929,549	97
Service revenue and royalties	132,057	3
Total	5,061,606	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, Folina, Thado, Andason, Ivic, Asadin, Leavdo, Painkyl, Megest, Episil, Otril, Zobonic, Yondelis, Pemazyre

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

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

(ii) Contract Development and Manufacturing Organization (CDMO) Service

"CDMO" provides "manufacturing" related total solutions of the pharmaceutical industrial value chain, such as R&D formulation, scale-up batch product, establish analysis method and validation and even customized design for equipment or factory as well as mass commercial production after small batch.

(iii) CRO Service

The Company comes with abundant experiences in bioassay development and animal experiment, 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 in-vitro or animal tests from both domestic and offshore respective parties while supplementing early-stage bio-research industry chain gap and enhancing industry efficiency. The Company shall continue to build up its energy on related laboratory procedures of cell therapy, and shall master itself with application of the most cutting-edge medical treatment technology.

(iv) PIC/S GMP Business Service

- Contract Manufacturing

TTY manufactures cytotoxicity injection and capsule, non-cytotoxicity lyophilized injection, tablet and capsule as well as production line of automatic filling and freeze-drying. 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 and quality control in order to achieve purpose of product commercialization manufacturing, which complies with regulations of our customers' target markets/countries.

- 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., Japan and Australia. 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 management system, and is also an indispensable partner for products export.

- Contract Laboratory

TTY's QC laboratory is not only installs complete microbiology, sterility, and stability analysis laboratory but it is also equipped with analysis capability for special preparations of liposome, lyophilized liposome and microspheres. This laboratory complies with relevant analysis method, validation 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, cell therapy and other healthcare sector.
- (ii) Continuous research and development of micro-liposomes or special products coated with microspheres, with high efficiency, targeted drug with delivering characteristics, improve curative effect and minimize side effects.
- (iii) Rolling-updating of chemical drug manufacturing technology, quality validation documents and optimizing the procedure of productions scaling up in line with international market regulations.

## (2) Industry Profile

### ① Current Status and Development

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 period, 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 countries with higher GNP such as US, Europe and Japan is well developed in its pharmaceutical industry,

Global pharmaceutical industry outlook:

- (i) To comply with good operation practices for drug safety, drug-manufacturing regulations have become more stringent and detailed on drug development and manufacturing requirements. This leads to continuous investments of time and spending in new drug and generic 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 launch.
- (iii) The competitive trend of pharmaceutical industry globalization has gradually formed a globalization from raw material supply chain, manufacturing, regulation to marketing promotion, and developed into a pharmaceutical industry network divided by different professional groups. Developments of protein drug and cell therapy in clinical medical field in recent years have promoted more diversification and specialization in drug categorization and division of labor. 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, biosimilar 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 in this phase needs to comply with cGMP (PIC/S GMP · The Pharmaceutical Inspection Convention and Co-operation Scheme and Good Manufacturing Practice) requirements. End products are then distributed, complying with Good Distribution Practice (GDP) 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 year 2021 is estimated to be more than USD \$1.5 trillion with an increase of 12.4% year over year, including Covid-19 related drugs and vaccines of USD \$97 billion, and it is estimated to reach USD \$1.7 trillion in year 2026. By the year of 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 was 3.5%, and that in the developed countries was 4.3%; in next 5 years, the average growth rate is estimated to be 2%~5% in developed countries and 3%~6% in emerging countries. This is mainly due to the economic development and income increase of these countries, the price control through various policies or methods, coupled with the improvement of medical diagnostic technology, the expansion of the population receiving medical treatment, 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 year 2012, after the United States, with an estimated US\$137 billion in year 2018. The annual growth rate in the past five years is 6.1%. Drug policies of the nation have changed dramatically during the last two years. Review system is now moving towards standards from advanced nations' regulations, while drug procurement is now developing towards the model of quantity-based price

negotiation by central government. Growth rates for the future 5 years are expected to be 2.5%~5.5% and extent of growth will also 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, autoimmune disorder and cancer have increased dramatically. This has also stimulated market's demands on chronic disease, mental disorder, autoimmune disorder, cancer drug and biologics.
- (ii) Under the trend of globalization, the threat of pandemic influenza, such as COVID-19, Avian flu, Ebola, ZIKV has become a great concern globally, and more research and development in anti-infection drugs or vaccines 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 clinical 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 health care related regulation change, a huge increase of drug demand will occur in emerging markets, like China, Brazil, India, Russia, Turkey, Pakistan, Korea, 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, lowered drug prices in Taiwan, and bidding competition of hospitals, which in turn, makes Taiwan become one of the countries with the lowest drug prices in the world. In addition, due to the policy of patent linkage, the original drugs, being registered and valid in Taiwan's drug licensing authority, are prohibited to export to the market where the patents have been expired.

With overall difficult operation environment and insufficient economies of scale in the market, Taiwan pharmaceutical industry will face globalization if it wants to be engaged in new drug development, and globalization must challenge "Standard treatment" with completion of clinical trial under regulations to fulfill inspection and registration of major markets as well as invest in high expenses, manpower, 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 year 2022 and 1<sup>st</sup> Quarter of year 2023

Unit: NT\$ Thousand

Item	2022	1Q 2023 (Note)
Research & Development Expense	353,436	65,487

Note: The number for the 1<sup>st</sup> quarter of year 2023 was unaudited.

② Technology or Product Successfully Developed

In addition to continuous improvement in liposome technologies and long-acting microsphere sustained release 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	Nephrotoxicity complication with invasive fungal infection after bone marrow transplant; treatment of bacterial infections from <i>Aspergillus</i> spp., <i>Candida</i> spp., or <i>Cryptococcus</i> spp.; Leishmaniosis (kala-azar); empirical therapy for severe neutropenia patient who have fever and might be affected with mycoses; AIDS patients with meningitis; bacterial infections from insufficient renal function.
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.

Product Name	Indications
Alginos Fresh	Relieve pain caused by gastric acid and bile's reflux into esophagus

#### (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 medical solutions, and act as physicians' best clinical treatment partner.

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

Seek for products with high potentials and offer various sales distribution, expanding these products to domestic and overseas markets.

##### (ii) R&D

- a. Develop core generic drug and ensure 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 for factories.
- b. Complete economic scale of commercialization by establishing 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 balance R&D costs to be borne by oneself, it can also obtain licensing funds and sales profits.

##### (iii) Manufacture

- a. Rolling-update of pharmaceutical manufacturing laws and regulations, implementation and through factory inspection domestically and abroad, to maintain a stable high-quality manufacturing base with high-quality products
- b. Ensure that the organization has efficient 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 which meet PIC/S GMP standards and implement annual assessment for suppliers 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 the capacity and share the maintenance cost of factory through CMO model and joint development in specialty drug 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. Master, rolling-update and maintain pharmaceutical manufacturing bases that meet the quality requirements of international drug laws and regulations.
    - b. Achieve international scale of mass production and lower cost advantage through improving process manufacturing and productivity.
    - c. Amplify manufacturing capacity and manage supply chain for R&D through M&A and strategic partnership.
  - (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 91% of the net sales, and export sales majorly comes from the Southeast Asian market; 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 USD1.59 trillion in year 2023, a 19% increase comparing to the number in year 2019.

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.
- e. Accumulated comprehensive customer's relationships and rich experiences of patient health and care in target therapy field.

(ii) In terms of TTY's competitiveness 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
- Abundant clinical trials have been conducted by core hospitals and approved by major authorities.
- Improving assessment mechanism of regulatory affairs in TFDA, 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 as well as the quality validation documents 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 in Taiwan. Up until now, drug prices have been adjusted multiple times. Domestic drug prices and quantities have been under control or limitation 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.

Measures:

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 terms of export, domestic companies are impacted by the insufficient knowledge in foreign legislation, the lack of experience in international marketing and the difficulties of form influential groups or organizations in overseas markets, resulting in limited growth. 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 gradually.

Measures:

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 special 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, develop and launch new products with pharmaceutical firm owning high penetrated marketing channels from major markets 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) and Southeast Asian market. In the event that international bio-tech innovation companies are unable to master market conditions for profit making when entering Taiwan and Asia market, 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 and Intensive-Care Drug: Drugs for second line anti infection, vaccine for flu and drugs for intensive care
- ③ Medical & Healthcare Medicine and Other Medical Supplies: Health care for digest system, osteoporosis, Metabolism and other medical supplies.

## **(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 and also works aggressively in exploring new raw materials suppliers.

**(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	2021				2022			
	Name	Amount	Percent (%)	Relation with the Issuer	Name	Amount	Percent (%)	Relation with the Issuer
1	Company X	196,826	19.60	None	Company X	283,053	20.03	None
	Other	807,444	80.40		Other	1,129,942	79.97	
	Net Purchase Amount	1,004,270	100.00		Net Purchase Amount	1,412,995	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	2021				2022			
	Name	Amount	Percent (%)	Relation with the Issuer	Name	Amount	Percent (%)	Relation with the Issuer
1	Company A	205,120	4.52	None	Company A	260,429	5.15	None
	Other	4,330,490	95.48		Other	4,801,177	94.85	
	Net Sale Amount	4,535,610	100.00		Net Sale Amount	5,061,606	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; Pc Thousand; NT\$ Thousand

Main Product	Year Production Capacity	2021			2022		
		Production Capacity	Production Quantity	Production Quantity	Production Capacity	Production Quantity	Production Quantity
Ointment	Note 1	2,261	83,795	Note 1	2,326	84,011	
Oral	Note 1	346,014	427,289	Note 1	356,103	464,163	
Injection	Note 1	3,626	584,751	Note 1	5,136	743,365	
Others	Note 1	—	—	Note 1	—	—	
Total	—	Note 2	1,095,835	—	Note 2	1,291,539	

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

Main Products	Year Selling Volume/ Value	2021				2022			
		Local Sales		Export Sales		Local Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ointment	2,266	94,491	—	—	2,326	94,836	—	—	
Oral	331,583	2,144,779	15,497	129,256	369,553	2,302,709	18,190	181,555	
Injection	5,309	1,817,541	235	124,983	6,028	2,076,099	409	180,138	
Others	703	113,138	—	—	662	94,185	—	27	
Total	Note 1	4,169,949	Note 1	254,239	Note 1	4,567,829	Note 1	361,720	

Note 1: Summing can't be conducted because units for sales are different.

Note 2: This table does not included service income.



### 3. Employees

Employee Data for the Last 2 Years and as of March 31, 2023

Year		2021	2022	March 31, 2023
No. of Employee	Management Staff	72	79	75
	R&D Staff	99	87	76
	Other Staff	371	365	373
	Total	542	531	524
Average age		40.98	41.80	41.60
Average years of service		8.23	8.76	8.62
Academy Ratio (%)	Doctor	4.80	3.95	3.82
	Master	37.09	36.35	36.07
	College	50.92	52.54	52.86
	Senior High School	5.90	6.03	6.11
	Below Senior High School	1.29	1.13	1.15

### 4. Information on Environmental Protection Costs

For the latest year and as of annual report publication date, losses incurred from environment contamination and also disclose potentially incurred estimated amount for current and future time as well as responsive measures: 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.	

Subsidy Item	Explanation	Note
Wedding Cash Gift	<ul style="list-style-type: none"> <li>i. Member of this Association whose service period less than 1 year but over 3 months and has withheld 3-month welfare benefits will receive a cash gift of NTD3, 600.</li> <li>ii. Member of this Association with service period over 1 year will receive a cash gift of NTD6, 000.</li> <li>iii. If both husband and wife are the Company's employees, they will each receive one cash gift.</li> </ul>	<ul style="list-style-type: none"> <li>i. Application: Please attach a copy of marriage certificate or household registration certificate and a fee application form, which will be signed and approved by the supervisor</li> <li>ii. Application Deadline: The date of marriage registration shall prevail, and shall be within three months counting from the date of marriage registration.</li> </ul>
Birth Cash Gift (including miscarriage for pregnancy over 20 weeks)	<ul style="list-style-type: none"> <li>i. For colleague of this Association giving birth or spouse of colleague giving birth, a payment of NTD3, 600 will be forwarded accordingly.</li> <li>ii. For colleague with spouse also working in the Company, payment is limited to one payment only.</li> <li>iii. Calculation of each subsidy payment amount is based on the number of new born baby.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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</li> </ul>
Holiday Cash, Voucher and Gift	<p>Dragon Boat Festival and Mid-Autumn Festival for each year.</p> <p>Qualification of receiving this benefit: Member of this Association who has withheld 3-month welfare benefit.</p>	<p>The amount depends on annual budget.</p>
Illness, work-related injury, Hospitalization Consolation	<ul style="list-style-type: none"> <li>i. A consolation of NTD 3,000 will be forwarded but this is limited to one Solarium each year. (Based on Discharge Date)</li> <li>ii. Visiting gift is limited to NTD1,000 (This is limited to one application each year and should be applied together with receipt and consolation.)</li> </ul>	<ul style="list-style-type: none"> <li>i. Application: Submission of Certificate of Hospitalization together with an expense application is needed. Application shall be signed off by supervisor accordingly.</li> <li>ii. Application Deadline: within 3 months starting from the date of occurrence.</li> </ul>

Subsidy Item	Explanation	Note
Funeral Consolation	<p>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. (Cannot be exchanged for cash if not required)</p> <p>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).</p> <p>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.</p>	<p>i. Application: Submission of a copy of obituary together with an expense application is needed (Receipt is required for flower basket expenses) Application shall be signed off by supervisor accordingly.</p> <p>ii. Application Deadline: within 3 months after date of occurrence.</p>
Disaster Relief Fund	<p>i. This subsidy item is stipulated by this Association for the purpose of relieving colleague's need for fund when encountering disaster.</p> <p>ii. Definition of Disaster</p> <ul style="list-style-type: none"> <li>• Natural force disaster of flood, wind disaster and earthquake.</li> <li>• Fire: Cause of fire is not from suicide or is not inflicted from others after competent authority's investigation.</li> </ul> <p>iii. Explanation of scope of application and Solarium are listed in appendix 1 as follows.</p>	<p>i. Definition of Spouse</p> <ul style="list-style-type: none"> <li>• Spouse and Children</li> <li>• Association Colleague's Parents</li> <li>• Association Colleague's Grandparents</li> </ul> <p>ii. Self-Use Residence: Association colleague's actual place of residence.</p> <p>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.</p> <p>iv. Application Deadline: within 3 months after the date of disaster occurrence.</p> <p>v. Application: Submission of original receipt together with expense application is needed. In addition,</p>

Subsidy Item	Explanation	Note
		application shall be signed off by supervisor accordingly.
Tuition Subsidy	<ul style="list-style-type: none"> <li>i. Scope of Application: To encourage Association colleague and their children’s education, education subsidy is categorized into “education subsidy” and “scholarship.”</li> <li>ii. Scholarship: <ul style="list-style-type: none"> <li>• 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.</li> <li>• Application Terms for Offshore Universities: With GPA 3.5 points or above or above the same GPA grade A</li> </ul> </li> <li>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.</li> <li>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.</li> <li>v. Payment of education subsidy will be delivered in accordance with standards prescribed in appendix 2.</li> </ul>	<ul style="list-style-type: none"> <li>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).</li> <li>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.</li> <li>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.</li> <li>iv. ID copies or copy of household registry shall be submitted for verification of family relationship.</li> </ul>

Subsidy Item	Explanation	Note
Travel Subsidy	<ul style="list-style-type: none"> <li>i. Applicant: Official staff with travel leave.</li> <li>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.</li> <li>iii. Employees not participating in annual employee travel scheme will be regarded as waiving their rights.</li> <li>iv. Travel subsidy calculation period: January 1 to December 31 of a specific year.</li> <li>v. Subsidy amount shall be in line with Benefit Association's announcement of a specific year. Application is limited to one application only.</li> </ul>	<ul style="list-style-type: none"> <li>i. Application: Applicant shall fill in an expense application, leave request and submit materials announced by Benefit Association.</li> <li>ii. Subsidy Calculation Method: Offshore travel subsidy for 2006 is NTD20,000. New employee A reports to the Company on March 1<sup>st</sup>, 2006. His/her travel subsidy will therefore be NTD16,666 (20,000X10/12). If he/she terminates employment on October 31<sup>st</sup>, the amount deducted back will therefore be NTD3,333 (20,000x2/12).</li> </ul>
Year-end Banquet	Employees in Company can participate the event.	
Year-end banquet raffle.	<p>The qualification of Year-end banquet raffle.</p> <ul style="list-style-type: none"> <li>i. It depends on current year regulation. There will be an extra announcement. For example, the employees will have to be employed before Sep. 30 (included) in the year of Year-end banquet.</li> <li>ii. The full time association employees who were on business or overtime working on the Year-end banquet day. (It is necessary to attach the relevant proof of workflow application in advance and report to the Welfare Committee)</li> <li>iii. The full time association employees who are expatriated.</li> </ul>	<ul style="list-style-type: none"> <li>i. If the full-time employees didn't win any prizes at Year-end banquet raffle, they'll also receive a bonus gift.</li> <li>ii. The employees who have applied for resignation but still working for the association on the Year-end banquet day, they are still qualifcator for raffle.</li> <li>iii. The regular staff, who had unpaid leave and reinstated before Year-end banquet, have to pay at least 3 times of welfare benefit then can participate the raffle.</li> </ul>

Subsidy Item	Explanation	Note
	(who have got payment from the company)	iv. The amount of bonus gift is depending on the budget of the year.
The entertaining activities: Family Days, Sports Day, Culture and entertaining activities.	i. Qualification of participators: all employees are free of attending. ii. Qualification of raffle: the full-time employees who have paid more than 3 months benefits.	The attending numbers of Family Days: The family attending numbers is depending on annual budget.
Health Examination of Employees	The qualification of attending : The full time association employees who have paid over three-month welfare fund before the date of Health Examination.	
May 1 of Labor's Day (Cash Gift)	The qualification of bonus dissemination: The association employees who have charged over three-month benefits before the date of dissemination.	The amount is depending on the individual annual budget.

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 (or equivalent level)	4,000	1,000
University (or 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 with multi-dimensions. Among them, online courses such as drug safety monitoring, "SDGs" sustainable development goals, information security, business secrets, principles of prevention of insider trading and major commercial events, advocacy of ethical management, building a friendly workplace, and good drug distribution and sales practices are compulsory courses, and 100% of all colleagues in 2022 completed reading and quizzes. 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.

Year 2022 Employee Education and Training Status

Item		Number of course	Total Hours	Total people	Total Expense (NTD)
Internal Training	Freshmen Training	4	37.5	59	35,600
	General Knowledge School	7	41	111	20,200
	Marketing School	3	12	50	4,100
	R&D School	1	5	10	1,500
	Business School	3	19.5	55	5,910
	Manufacturing School	2	9	28	1,500
	Leadership Management School	2	12	34	3,040
External Training		107	1,313	107	531,351 (Note)
Total		129	1,449	454	603,201

Note: Expense amounts exclude amounts paid by employees themselves.

③ Work Environment and Protection Measures for Employee Safety

(i) Establish Occupational Safety & Health Management Organization

To ensure company colleague's safety and health in work, the Company hereby complies with laws and establishes Occupational Safety & Health Management Committee. The Neihu R&D Center has established "Safety and Health Management System Promotion Team" as its number of employees is lower than the requirement of regulations. The Occupational Safety & Health Management Committee, of which labors shall represent more than one-third of the number for commissioners, hold quarterly meeting to discuss occupational safety issues and are mainly in charge of supervision and suggestion for occupational health and safety-related plans. According to the Occupational Safety and Health Law and related laws and regulations, the Company has formulated the "Guidelines of Occupational Safety and Health Work "and "Occupational Safety and Health Management Plan", and each factory shall have occupational safety and health units, management and emergency personnel.

(ii) Verification of ISO45001 (Occupational Safety and Health Management System)

The Company has been verified with ISO45001 on December 30, 2022. (The verification scope covers Headquarters in Nangang and Plant Chungli) and the certificate will be valid till December 29, 2023.

The promotion of ISO 45001 was conducted by senior executives and department heads, identifying hazard and assessing risk caused by changes from organization, occupation safety and health management system or activities, based on the provisions of ISO 45001. Then, a management proposal or a measure for tracking/controlling risk and opportunities will be delivered. Its purpose is to establish a safe and hygienic working environment, enable organizations to identify and prevent their risks, protect and provide employees with a safe and secure workplace, reduce the possibility of employee accidents and illnesses, and improve regulatory compliance.

(iii) Protection Measures for Employee's Safety and Health

For the protection of employee's health and safety, the Company also provides insurance items such as group insurance, accident insurance, occupational accident insurance, cancer insurance and travel insurance for business trip. In addition, the Company also conducts employee health check each year to ensure employees' health. Meanwhile, in response to the dual threats of fluenza and Covid-19, the Company provided free flu vaccines to all employees and their first related relatives. (4 quotas for each employee).

The Company has already purchased public liability insurance for work place of respective business locations, equipped licensed fire prevention management personnel in respective factories, established fire prevention plan in work place in accordance with regulations and laws and regularly reported public safety equipment checks on building and fire prevention equipment to competent authority for the purpose of maintaining safety of fire prevention equipment in work place.

In addition, the Company has allocated doctors and nurses in the plants, to provide employees professional medical assistance. We also promote Health examination, medical assistance, and the prevention occupational diseases in new employee's orientation. In 2022, the Company held 2 seminars with topics of health services and stalking and harassment prevention & illegal infringement prevention. Additionally, the Company also advocated 6 topics including "lose weight and eat protein with the lowest rate of fat gain", "saving goldfish brain", "latest rhythm super jogging", "Acute back pain



is the spine for help", "Eat the right seafood to reduce blood fat and reduce fatty liver" and "List of nine natural sleep aids" by email to maintain the physical and mental health of colleagues. The frequency of nurse services is 3 times a month, and the frequency of physician services is 3 times a year; Because the number of employees in Neihu Pharmaceutical R&D Center is less than 99, the frequency of nurse services and physician services is once a month and once a year respectively.

In addition to emphasis and protection on product safety, personal protective equipment ("PPE") used by on-site operators is also one of the critical items for the Company's occupational safety and hazard control. For instance, factory production area is equipped with glove box which allows on-site operators to proceed with production in a closed and isolated manner. This has effectively avoided possible chemical hazard generated during production process. Additionally, factories are equipped with chemical leakage management vehicles which allow colleagues to implement contingency measures immediately to minimize disaster risks in the event of chemical leakage occurrence. Moreover, personal protective equipment will be updated based on process requirements and usage status, so that the employees of production lines can obtain the greatest protection of occupational safety and health. For example, masks and protective clothing are disposable equipment and the respiratory protective equipment is replaced according to the degree of dust absorption.

- 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. Information Security Management

### (1) Information security risk management framework, information security policy, concrete management approaches, and investment of resources in information security management

#### ① Information Security Risk Management Structure

- The Company's responsible unit for information security is IT Department which is allocated with one IT head and several professional IT staffs. IT Department is responsible for establishing internal information security policy, planning and executing information security operations, promoting and implementing information security policy as well as delivering annual report on the summary of the Company's information security governance to the Sustainable Development Committee and Board of Directors. The most recent date of report was on Mar 14<sup>th</sup>, 2023.
- The Company's Audit Office acts as a supervisory unit for information security surveillance. It is formed with one Chief Auditor together with several professional audit staffs. It is responsible for supervising execution of internal data security. In the event of deficiency found during audit, it will request audited unit to submit related rectification plan and specific actions and will conduct regular tracking on rectification effectiveness in order to mitigate internal information security risks.
- Organization operation pattern adopts PDCA (Plan-Do-Check-Act) cycle management to ensure that reliability target is achieved and improvement is made continuously.

#### ② Information Security Policy and Specific Management Projects

- The Company's information security management mechanism includes the following three perspectives,
  - System & Regulation: Establishment of the Company's information security management system for regulation of employees' operation behaviors.
  - Application of Technology: Establishment of information security management equipment for implementation of information security management measures.
  - Personnel Training: Implementation of information security education training and enhancement of all employees' information security awareness.
- Explanation of management measures is as follows,

#### **System & Regulation**

The Company has established multiple internal information security regulations and systems to regulate information security behavior of the Company's personnel. Related systems are reviewed regularly each year to verify if they are consistent with changes of operation environment, and real-time adjustments will be made in accordance with needs. Explanation of specific items implemented is as follows,

#### ✓ Implementation of Taiwan Intellectual Property Management Regulations

To enhance intellectual property management, the Company introduced Taiwan Intellectual Property Management System ("TIPS") in year 2015, and conducts internal audit regularly each year as well as external audit every two years to enhance the Company's management on confidential material operations. Meanwhile, the Company has also received Grade A of TIPS certification from the Industrial Development Bureau of the Ministry of Economic Affairs in year 2022 and the certification is valid till December 31, 2024.

✓ Enhancement of Business Secret Management Measures

To enhance internal management on business secret, the Company worked together with information security consultant in conducting trade secret inventory check in 2020 for the purpose of reviewing and optimizing internal management systems. Different control measures are implemented in accordance with respective levels of trade secret data to ensure security in utilizing, transmitting and maintaining trade secret information.

✓ Regular Implementation of Information Risk Assessment

The Company complies with ISO27005 Risk Assessment Principles and implements regular internal information risk assessment. Based on information asset's value, weakness, threat and influence, internal risk levels are analyzed. Security measure enhancement items are established accordingly based on risk assessment result to improve and elevate the overall information security environment.

**Application of Technology**

To counter various external information security threats, the Company not only adopts multi-layer network structure design, it also establishes various information protection systems to enhance security for the information environment as a whole. Furthermore, the Company designs operation procedures and introduces information security system tools to ensure that internal personnel's operation behavior complies with the Company's systems and requirements, and that management measures for personnel information security are implemented without fail. Specific items implemented are as follows:

✓ External Threat

To guard against external hacker intrusion and computer virus threats, the Company not only establishes information security systems of firewall and anti-virus / anti-ransomware systems, it also detects potential system vulnerabilities and loopholes through vulnerability scanning and then rectifies and improves them accordingly.

✓ Authority Management

The Company adopts Principle of Least Authority in managing internal system and information access rights. Employees are prohibited from using unauthorized system functions or reviewing system information which is not needed for their duties. Additionally, to ensure appropriateness for access rights allocation, routine check on access rights is conducted each year to review accuracy of access rights allocation between employees and systems.

✓ Access Control

To enhance system access control mechanism, the Company not only manages different-purpose systems through multi-layer network structure and restricts connections for external retrievals, it is also equipped with information behavior monitoring system which records employee's information behavior process, detects irregular access behavior automatically and notifies management personnel immediately for disposition.

✓ System Availability

To ensure stability for internal system operation and shorten service disruption time during system malfunction, the Company is equipped with internal availability monitoring system which conducts automatic monitoring over system operation status 24 hours a day and automatically notifies responsible employees for

disposition at the time of system irregularity. Furthermore, corresponding back-up mechanisms and off-site back-up measures have been established in accordance with the extent of importance for information system. Disaster recovery drill is conducted routinely each year to ensure normal operation for back-up mechanisms.

### **Employee Training**

Each quarter, the Company conducts routine information security education and training courses for new staffs, and establishes several E-Learning classes on information security for the purpose of enhancing internal employees' knowledge and professional skills on information security. All new recruits trained in 2022 have passed the test, and a total of 521 employees (excluding those who arrived in December 2022 without compulsory online learning) all completed the online course reading and quizzes.

### ③ Investment of resources into information security management

In the post-epidemic era, global companies are still being attacked by hackers with different methods. The information security protection strategy of the Company should also be adjusted accordingly. We will implement comprehensive planning from following dimensions and the details are as follows,

- Data center security

With a view to ensuring access control security of data center host computers and file servers, we completed the installation of a hyper-converged architecture and a professional-grade server solution in 2022. The goal lies in the establishment of a more real-time, flexible, and comprehensive backup mechanism to meet the demands associated with the ongoing expansion of business operations.

- External online access

To avoid the threat of hacker caused by account and password leakage arising from the use of VPN services, a multi-factor authentication factor mechanism has been enabled to strengthen the identification and authentication of personnel to improve the security of connection access.

- Internal network control

A security report of a domestic information security organization reveals that 80% of all hacker intrusions and threats are caused by the improper use of internal networks. Based on these findings, we adopted a well-known internal network security monitoring product to implement effective filtering of every end device connected to the internal network with the goal of preventing ransomware threats and ensuring network security.

- Professional information security testing

To reduce the risk of system vulnerability attacks, in addition to keeping update of the host system, the Company also regularly scans and detects the vulnerabilities of important hosts, and performs relevant repairs based on the detection results to lower the risk of vulnerability attacks.

- Implementation of prevention drills

The Company also conduct regular vulnerability scanning and testing for key host computers to minimize the risk of attacks that take advantage of system loopholes. In 2022, 1 disaster recovery drill and 1 remote backup recovery drill were completed successfully to ensure the effectiveness of the mechanism.

- Awareness of information security for employees

The Company has conducted irregular information security lectures and case sharing from external experts, coupled with online training courses and quizzes, to update latest information to employees and to increase of risk awareness. In 2022, the Company has conducted 1 seminar from external experts and online course related to information security, and all employees have completed the training and quizzes.

In addition to aforementioned dimensions, the Company is kicking off to assess the introduction of ISO27001 to complete the operation procedures of the Company and aims on verification with international standards.

**(2) For the Latest Year and as of Annual Report Publication Date, Losses Incurred from Informational Security Dispute and Disclosure of Current and Future Potential Estimated Expenditure and Responding Strategy: None.**

**7. Material Contracts**

Contract	Counter party	Period	Highlights of Provisions	Restrictive Terms
Sales	Towa Pharmaceutical Company Limited	Starting from 2012.05	Product Development, Manufacturing and Sales	None
Authorized Distributorship	Lotus Pharmaceutical Company Limited.	Starting from year 2013	Product exclusive distribution rights in Taiwan area are obtained.	None
Contract Manufacturing	Mentholatum Taiwan Limited	Starting from 2014.03	Contract manufacturing rights for Mentholatum product is obtained.	None
Contract Manufacturing	TSH Biopharm Company Limited	Starting from 2015.01	Contract Product Manufacturing	None
Licensing	Pharma Mar S.A.	Starting from 2015.07	Exclusive licensed Product selling in Taiwan	None
Authorized Distributorship	Taiwan Otsuka Pharmaceutical Company Limited.	Starting from 2016.05	Product exclusive distribution rights in Taiwan area are obtained through licensing.	None
Licensing	SEQIRUS UK LIMITED	Starting from 2016.10	Product exclusive distribution rights in Taiwan area are obtained.	None
Licensing	Company A	Starting from 2017.06	Product Co-Development, Manufacturing and Sales	None
Joint Venture	2-BBB MEDICINES BV	Starting from 2017.05	Establishment of Joint Venture	None
Authorization	Company B	Starting from 2021.03	Product Co-Development, Manufacturing and Sales	None
Licensing	PAION UK Ltd.	Starting from 2021.03	Exclusive licensed Product selling in Taiwan	None

Contract	Counter party	Period	Highlights of Provisions	Restrictive Terms
Authorization	Company C	Starting from 2021.03	Product Co-Development, Manufacturing and Sales	None
Authorization	Company D	Starting from 2021.11	Product Co-Development, Manufacturing and Sales	None
Authorization	Company E	Starting from 2021.12	Product Co-Development, Manufacturing and Sales	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

Year		Financial Data in the most recent 5-years				
		2018	2019	2020	2021	2022
Current Assets		4,654,601	4,974,418	4,798,541	4,749,403	5,035,372
Property, plant, and equipment		2,474,331	2,394,277	2,584,740	2,497,392	2,426,443
Intangible assets		153,188	139,013	132,898	124,904	250,749
Other assets		252,957	278,061	88,792	106,043	83,156
Total assets		9,053,135	9,552,716	9,360,809	9,296,465	9,600,635
Current liabilities	Before distribution	1,971,883	3,025,430	2,548,666	3,051,579	2,917,428
	After distribution	3,090,808	4,020,029	3,543,266	3,797,528	—
Noncurrent liabilities		689,627	358,222	734,075	477,652	449,926
Total liabilities	Before distribution	2,661,510	3,383,652	3,282,741	3,529,231	3,367,354
	After distribution	3,780,435	4,378,251	4,277,341	4,275,180	—
Shareholder's equity attributable to parent company		5,804,033	5,570,636	5,449,766	5,167,855	5,658,424
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		348,819	338,514	337,997	311,876	312,180
Retained earnings	Before distribution	2,921,893	2,705,487	2,758,978	2,567,549	2,924,521
	After distribution	1,802,968	1,710,888	1,764,378	1,821,600	—
Other equity		46,821	40,135	-133,709	(198,070)	(64,777)
Treasury stock		—	—	—	—	—
Non-controlling interest		587,592	598,428	628,302	599,379	574,857
Total equity	Before distribution	6,391,625	6,169,064	6,078,068	5,767,234	6,233,281
	After distribution	5,272,700	5,174,465	5,083,468	5,021,285	—

Note: Financial data in this table were audited by the CPA.



② Parent-company-only Condensed Balance Sheets

Unit: NT\$ Thousand

Item	Year	Financial Data in the most recent 5-years				
		2018	2019	2020	2021	2022
Current Assets		2,122,789	2,238,822	2,213,498	2,203,595	2,365,966
Property, plant, and equipment		2,438,554	2,365,773	2,558,085	2,471,519	2,399,332
Intangible assets		32,472	26,607	34,591	39,781	163,549
Other assets		228,648	255,664	68,611	81,265	76,034
Total assets		8,368,751	8,580,223	8,554,747	8,506,472	8,857,668
Current liabilities	Before distribution	1,870,292	2,662,488	2,346,496	2,867,772	2,757,165
	After distribution	2,989,217	3,657,087	3,341,096	3,613,721	-
Noncurrent liabilities		694,426	347,099	758,485	470,845	442,079
Total liabilities	Before distribution	2,564,718	3,009,587	3,104,981	3,338,617	3,199,244
	After distribution	3,683,643	4,004,186	4,099,581	4,084,566	-
Shareholder's equity attributable to parent company		5,804,033	5,570,636	5,449,766	5,167,855	5,658,424
Capital stock		2,486,500	2,486,500	2,486,500	2,486,500	2,486,500
Additional paid-in capital		348,819	338,514	337,997	311,876	312,180
Retained earnings	Before distribution	2,921,893	2,705,487	2,758,978	2,567,549	2,924,521
	After distribution	1,802,968	1,710,888	1,764,378	1,821,600	-
Other equity		46,821	40,135	- 133,709	(198,070)	(64,777)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	5,804,033	5,570,636	5,449,766	5,167,855	5,658,424
	After distribution	4,685,108	4,576,037	4,455,166	4,421,906	-

Note: Financial data in this table were audited by the CPA.

③ Consolidated Condensed Comprehensive Income Statement

Unit: NT\$ Thousand

Item \ Year	Financial Data in the most recent 5-years				
	2018	2019	2020	2021	2022
Operating revenue	4,036,196	4,466,308	4,221,836	4,535,610	5,061,606
Gross Profit - net	2,663,179	2,902,384	2,607,052	2,766,553	3,021,115
Operating profit or loss	1,059,677	1,228,609	957,379	1,140,652	1,227,957
Non-Operating income and expense	608,391	(25,955)	244,146	(53,272)	180,382
Net income before tax	1,668,068	1,202,654	1,201,525	1,087,380	1,408,339
Net income of continuing operations	1,462,299	907,705	978,677	822,569	1,103,090
Loss of discontinued operation	—	—	—	—	—
Net income (loss)	1,462,299	907,705	978,677	822,569	1,103,090
Other comprehensive profit and loss(net)	19,042	3,257	(51,078)	(95,925)	133,539
Total current comprehensive profit and loss	1,481,341	910,962	927,599	726,644	1,236,629
Net income attributable to parent company's shareholders	1,461,381	900,081	924,178	831,894	1,094,391
Net income attributable to unrestrictive equity	918	7,624	54,499	(9,325)	8,699
Total comprehensive profit and loss attributable to parent company's shareholders	1,481,687	895,833	874,246	745,121	1,236,214
Total comprehensive profit and loss attributable to Non-controlling interest	(346)	15,129	53,353	(18,477)	415
Earnings per share (NTD/share)	5.88	3.62	3.72	3.35	4.40

Note: Financial data in this table were 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				
	2018	2019	2020	2021	2022
Operating revenue	3,555,620	4,044,660	3,721,161	4,038,636	4,492,904
Gross Profit - net	2,308,242	2,577,394	2,211,110	2,429,612	2,625,777
Operating profit or loss	1,056,651	1,215,841	907,208	1,133,517	1,189,471
Non-Operating income and expense	611,161	(33,172)	222,247	(51,298)	177,477
Net income before tax	1,667,812	1,182,669	1,129,455	1,082,219	1,366,948
Net income of continuing operations	1,461,381	900,081	924,178	831,894	1,094,391
Loss of discontinued operation	—	—	—	—	—
Net income (loss)	1,461,381	900,081	924,178	831,894	1,094,391
Other comprehensive profit and loss(net)	20,306	(4,248)	(49,932)	(86,773)	141,823
Total current comprehensive profit and loss	1,481,687	895,833	874,246	745,121	1,236,214
Earnings per share (NTD/share)	5.88	3.62	3.72	3.35	4.40

Note: Financial data in this table were audited by the CPA.

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

Year	CPA (Certified public accountant)	Audit opinions
2018	Kuo-Yang Tseng, Shi-Qin Chi	Unqualified Opinion
2019	Kuo-Yang Tseng, Shi-Qin Chi	Unqualified Opinion
2020	Kuo-Yang Tseng, Yi-Lien Han	Unqualified Opinion
2021	Yi-Lien Han, Shu-Ying Chang	Unqualified Opinion
2022	Yi-Lien Han, Shu-Ying Chang	Unqualified Opinion

Note: The long term investments assessed in Equity Method were recognized via adoption of other accountants' certified financial reports. Unqualified opinion audit report with other matters paragraph was issued accordingly.

## 2. Most Recent 5-Year Financial Analysis

### (1) Financial Analysis-Consolidated

Analysis item (Note 1)		Financial analysis in the most recent 5-years				
		2018	2019	2020	2021	2022
Finance structure%	Debt to assets ratio	29.4	35.42	35.07	37.96	35.07
	Long term funds to property, plant, and equipment ratio	286.19	272.62	263.55	248.66	275.43
Solvency%	Current ratio	236.05	164.42	188.28	155.64	172.60
	Quick ratio	196.76	134.44	142.19	122.80	135.27
	Interest coverage ratio	97.49	82.21	62.89	58.28	61.82
Operating ability	Receivables turnover (times)	4.27	4.72	4.16	4.18	4.28
	Average accounts receivable turnover days	85	77	88	87	85
	Inventory turnover (times)	1.90	1.94	1.64	1.71	2.05
	Payables turnover (times)	8.38	8.81	9.49	12.13	14.14
	Average inventory turnover on sale	192	188	222	213	178
	Property, plant, and property turnover (times)	1.61	1.83	1.70	1.78	2.05
	Total asset turnover (times)	0.43	0.48	0.45	0.49	0.54
Profitability	Return on assets (%)	15.91	9.88	10.51	8.98	11.87
	Return on shareholder's equity (%)	23.39	14.45	15.98	13.89	18.38
	Net income before tax to paid-in capital ratio (%) (Note 5)	67.08	48.37	48.32	43.73	56.64
	Profit margin (%)	36.23	20.32	23.18	18.14	21.79
	Earnings Per Share (NT\$)	5.88	3.62	3.72	3.35	4.40
Cash flow	Cash flow from operations ratio (%)	54.46	39.99	20.65	41.17	42.36
	Cash Flow Adequacy Ratio (%)	82.73	92.07	81.77	81.45	88.21
	Cash Re-investment Ratio (%)	—	1.35	—	3.88	6.72
Leverage	Operating leverage	1.14	1.13	1.16	1.15	1.15
	Financial leverage	1.02	1.01	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. Return on assets, Return on shareholders' equity, Net income before tax to paid-in capital ratio, Profit margin and Earnings Per Share: This is due to the increase of net profit before tax arising from revenue growth in this period. In addition, a penalty of NTD 220 million from Fair Trade Commission recognized in "Other income/loss" has resulted in a significant decases of net profit before tax for year 2021.
2. Cash Re-investment ratio: This is due mainly to the decrease of cash dividends distribution for retaining required funding for this period arising from operation needs and reconstruction of plant.

## (2) Financial Analysis — Parent-company-only

Analysis item (Note 1)		Year	Financial analysis in the most recent 5-years				
			2018	2019	2020	2021	2022
Finance structure%	Debt to assets ratio		30.65	35.08	36.3	39.25	36.12
	Long term funds to property, plant, and equipment ratio		266.49	250.14	242.69	226.86	254.07
Solvency%	Current ratio		113.5	84.09	94.33	76.84	85.81
	Quick ratio		74.69	53.41	49.99	45.73	50.61
	Interest coverage ratio		97.95	81.36	66.07	63.6	61.78
Operating ability	Receivables turnover (times)		4.2	4.83	4.2	4.22	4.28
	Average accounts receivable turnover days		87	76	87	86	85
	Inventory turnover (times)		1.88	1.94	1.66	1.71	2.07
	Payables turnover (times)		10.49	9.19	9.24	11.96	11.04
	Average inventory turnover on sale		194	188	220	213	176
	Property, plant, and property turnover (times)		1.44	1.68	1.51	1.6	1.84
	Total asset turnover (times)		0.42	0.48	0.43	0.47	0.52
Profitability	Return on assets (%)		17.22	10.76	10.95	9.91	12.81
	Return on shareholder's equity (%)		25.86	15.83	16.77	15.67	20.22
	Net income before tax to paid-in capital ratio (%) (Note 5)		67.07	47.56	45.42	43.52	54.97
	Profit margin (%)		41.1	22.25	24.84	20.6	24.36
	Earnings Per Share (NT\$)		5.88	3.62	3.72	3.35	4.40
Cash flow	Cash flow from operations ratio (%)		59.01	43.96	23.1	42.90	45.25
	Cash Flow Adequacy Ratio (%)		83.23	92.4	84.15	81.95	89.07
	Cash Re-investment Ratio (%)		—	0.78	—	3.65	7.20
Leverage	Operating leverage		1.12	1.01	1.15	1.13	1.14
	Financial leverage		1.02	1.01	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. Inventory turnover (times): This is due to the increase in the cost of goods sold arising from revenue growth in this period.
2. Return on assets, Return on shareholders' equity, Net income before tax to paid-in capital ratio, and Earnings Per Share: This is due to the increase of net profit before tax arising from revenue growth in this period. In addition, a penalty of NTD 220 million from Fair Trade Commission recognized in "Other income/loss" has resulted in a significant decrease of net profit before tax for year 2021.
3. Cash Re-investment ratio: This is due mainly to the decrease of cash dividends distribution for retaining required funding for this period arising from operation needs and reconstruction of plant.

Note 1: 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

Note 5: 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 year 2022 Financial Statements**

The Board of Directors presented the year 2022 Business Report, Financial Statement (including the consolidated financial statement) and profit distribution proposal. The Financial Statement (including the consolidated financial statement) was audited by two CPAs (Yi-Lien Han and Shu-Ying Chang) of KPMG Taiwan and the results were compiled into a report. The aforementioned reports and statements were audited and found satisfactory by the Company's audit committee. They are hereby submitted respectfully for examination pursuant to the regulations set forth in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to: Year 2023 Annual General Meeting of Shareholders of the Company

Ming-Ling Hsueh

Chairman of the Audit Committee

March 14, 2023



**4. Year 2022 Consolidated Financial Statements with Subsidiaries Audited  
by CPA :**

**Please refer to Page 197-272.**

**5. Year 2022 Financial Statements Audited by CPA**

**Please refer to the Page 273-342.**

**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 year 2022 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, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of PharmaEngine Inc, an associate of the Group, which represented investment in another entity accounted for using the equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, is based solely on the report of another auditor. The investment in the investee company constituted 8.97% and 9.40% of consolidated total assets as of December 31, 2022 and 2021, respectively, and the related share of profit of associates accounted for using the equity method constituted 4.08% and 7.01% of pre-tax net income for the years ended December 31, 2022 and 2021, respectively.

We have audited the financial statements of TTY Biopharm Company Limited as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion with an other matter section, thereon.



## Key Audit Matters

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

### 1. Occurrence of revenue from selling pharmaceuticals and chemical drugs

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

Key audit matters:

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

Auditing procedures performed:

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

### 2. Inventory valuation

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

Key audit matters:

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

Auditing procedures performed:

- 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 inventories, and recalculating the net realizable value by marketing expense rate, to ensure the reasonableness of net realizable value adopted by the Group.



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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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



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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2023

#### **Notes to Readers**

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

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

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(a) and (t))	\$ 2,357,324	25	2,222,253	24	2100	Short-term borrowings (notes 6(k), (t) and 8)	\$ 1,370,000	14	1,711,070	18
1120	Current financial assets at fair value through other comprehensive income (notes 6(b) and (t))	51,811	1	52,929	1	2130	Contract liabilities-current (note 6(q))	33,126	-	39,769	-
1150	Notes receivable, net (notes 6(c) and (t))	34,694	-	37,646	-	2150	Notes payable (note 6(t))	62,978	1	57,235	1
1170	Accounts receivable, net (notes 6(c) and (t))	1,175,906	12	1,077,111	12	2170	Accounts payable (note 6(t))	226,418	2	130,033	1
1180	Accounts receivable due from related parties, net (notes 6(c), (t) and 7)	16,548	-	22,996	-	2219	Other payables (notes 6(r) and (t))	619,311	6	522,085	6
1200	Other receivables, net (notes 6(t) and 7)	29,676	-	13,622	-	2230	Current tax liabilities	149,519	2	150,392	2
130X	Inventories (note 6(d))	1,039,100	11	955,011	10	2280	Current lease liabilities (note 6(t))	3,916	-	7,623	-
1410	Prepayments	49,894	1	46,960	1	2300	Other current liabilities	33,308	-	25,467	-
1476	Other current financial assets (notes 6(j), (t) and 8)	275,053	3	319,724	3	2320	Long-term liabilities, current portion (notes 6(l), (t) and 8)	418,852	4	407,905	5
1470	Other current assets (note 6(j))	5,366	-	1,151	-			<u>2,917,428</u>	<u>29</u>	<u>3,051,579</u>	<u>33</u>
		<u>5,035,372</u>	<u>53</u>	<u>4,749,403</u>	<u>51</u>						
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(b) and (t))	193,562	2	197,204	2	2540	Long-term borrowings (notes 6(l), (t) and 8)	9,595	-	4,146	-
1550	Investments accounted for using the equity method, net (note (e))	1,301,209	14	1,233,023	13	2570	Deferred tax liabilities (note 6(n))	305,443	3	260,519	3
1600	Property, plant and equipment (notes 6(g) and 9)	2,426,443	25	2,497,392	28	2580	Non-current lease liabilities (note 6(t))	3,043	-	14,161	-
1755	Right-of-use assets	6,905	-	21,707	-	2640	Net defined benefit liability, non-current (note 6(m))	40,814	1	52,597	1
1760	Investment property, net (note 6(h))	134,605	1	135,689	1	2645	Guarantee deposits received (note 6(t))	2,431	-	2,429	-
1780	Intangible assets (notes 6(i) and 9)	250,749	3	124,904	1	2670	Other non-current liabilities (note 6(t))	88,600	2	143,800	2
1840	Deferred tax assets (note 6(n))	47,095	-	63,723	1			<u>449,926</u>	<u>6</u>	<u>477,652</u>	<u>6</u>
1915	Prepayments for business facilities (note 9)	6,473	-	8,487	-		<b>Total liabilities</b>	<u>3,367,354</u>	<u>35</u>	<u>3,529,231</u>	<u>39</u>
1920	Refundable deposits paid (note 6(t))	29,588	-	33,833	-		<b>Equity attributable to owners of parent (note 6(o)):</b>				
1984	Other non-current financial assets (notes 6(j), (t) and 8)	150,793	2	151,300	2	3100	Share capital	2,486,500	26	2,486,500	27
1990	Other non-current assets (notes 6(j) and 9)	17,841	-	79,800	1	3200	Capital surplus (note 6(e))	312,180	3	311,876	3
		<u>4,565,263</u>	<u>47</u>	<u>4,547,062</u>	<u>49</u>	3310	Legal reserve	1,278,935	14	1,198,617	13
						3320	Special reserve	198,071	2	133,709	1
						3350	Unappropriated retained earnings	1,447,515	15	1,235,223	13
						3400	Other equity interest	(64,777)	(1)	(198,070)	(2)
							Equity attributable to owners of parent:	5,658,424	59	5,167,855	55
						36XX	Non-controlling interests (note 6(o))	574,857	6	599,379	6
							<b>Total equity</b>	<u>6,233,281</u>	<u>65</u>	<u>5,767,234</u>	<u>61</u>
<b>Total assets</b>		<u>\$ 9,600,635</u>	<u>100</u>	<u>9,296,465</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 9,600,635</u>	<u>100</u>	<u>9,296,465</u>	<u>100</u>

See accompanying notes to financial statements.

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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

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

		<b>2022</b>		<b>2021</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue (notes 6(q) and 7)</b>	\$ 5,061,606	100	4,535,610	100
5000	<b>Operating costs (notes 6(d), (i), (m) and 12)</b>	2,040,108	40	1,767,630	39
	<b>Gross profit</b>	3,021,498	60	2,767,980	61
5910	Less: Unrealized profit (loss) from sales	8,544	-	8,161	-
5920	Add: Realized profit (loss) from sales	8,161	-	6,734	-
	<b>Gross profit, net</b>	3,021,115	60	2,766,553	61
6000	<b>Operating expenses (notes 6(i), (m), (r) and 12):</b>				
6100	Selling expenses	1,022,855	21	921,732	21
6200	Administrative expenses	413,309	8	402,992	9
6300	Research and development expenses	353,436	7	287,595	6
6450	Expected credit losses (note 6(c))	3,558	-	13,582	-
	<b>Total operating expenses</b>	1,793,158	36	1,625,901	36
	<b>Net operating income</b>	1,227,957	24	1,140,652	25
	<b>Non-operating income and expenses:(note 6(s))</b>				
7100	Interest income	31,174	1	6,309	-
7010	Other income	10,780	-	11,271	-
7020	Other gains and losses, net (note 7)	45,198	1	(187,051)	(4)
7050	Finance costs, net	(23,154)	-	(18,985)	-
7060	Share of profit of associates accounted for using the equity method, net (note 6(e))	116,384	2	135,184	3
7055	<b>Total non-operating income and expenses</b>	180,382	4	(53,272)	(1)
	<b>Profit before tax</b>	1,408,339	28	1,087,380	24
7950	Less: Income tax expenses (note 6(n))	305,249	6	264,811	6
	<b>Profit for the period</b>	1,103,090	22	822,569	18
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(m))	8,530	-	(10,809)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(15,262)	-	(21,094)	-
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6,731	-	6,112	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>	(1)	-	(25,791)	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	166,891	3	(87,454)	(2)
8370	Share of other comprehensive loss of associates accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	(220)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(33,351)	1	17,540	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	133,540	2	(70,134)	(2)
8300	<b>Other comprehensive income (loss)</b>	133,539	2	(95,925)	(2)
	<b>Total comprehensive income for the period</b>	<b>\$ 1,236,629</b>	<b>24</b>	<b>726,644</b>	<b>16</b>
	<b>Profit attributable to:</b>				
8610	Owners of parent	1,094,391	22	831,894	18
8620	Non-controlling interests	8,699	-	(9,325)	-
		<b>1,103,090</b>	<b>22</b>	<b>822,569</b>	<b>18</b>
	<b>Comprehensive income attributable to:</b>				
	Owners of parent	1,236,214	24	745,121	16
	Non-controlling interests	415	-	(18,477)	-
		<b>\$ 1,236,629</b>	<b>24</b>	<b>726,644</b>	<b>16</b>
	<b>Earnings per share, net of tax (note 6(p))</b>				
9750	Basic earnings per share	<b>\$ 4.40</b>		<b>3.35</b>	
9850	Diluted earnings per share	<b>\$ 4.40</b>		<b>3.34</b>	

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, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent											
	Share capital		Retained earnings				Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest				
<b>Balance at January 1, 2021</b>	\$ 2,486,500	337,997	1,093,808	110,154	1,555,016	(146,611)	12,902	(133,709)	5,449,766	628,302	6,078,068	
Net income	-	-	-	-	831,894	-	-	-	831,894	(9,325)	822,569	
Other comprehensive income	-	-	-	-	(10,809)	(70,162)	(5,802)	(75,964)	(86,773)	(9,152)	(95,925)	
Total comprehensive income	-	-	-	-	821,085	(70,162)	(5,802)	(75,964)	745,121	(18,477)	726,644	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	104,809	-	(104,809)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	23,555	(23,555)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(994,600)	-	-	-	(994,600)	-	(994,600)	
Other changes in capital surplus:												
Changes in equity of investments accounted for using the equity method	-	(13,893)	-	-	-	-	-	-	(13,893)	-	(13,893)	
Other changes in capital surplus	-	710	-	-	-	-	-	-	710	-	710	
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	-	(13,155)	-	-	(6,311)	-	-	-	(19,466)	19,466	-	
Changes in ownership interests in subsidiaries	-	217	-	-	-	-	-	-	217	168	385	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(11,603)	-	11,603	11,603	-	-	-	
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(30,080)	(30,080)	
Balance at December 31, 2021	2,486,500	311,876	1,198,617	133,709	1,235,223	(216,773)	18,703	(198,070)	5,167,855	599,379	5,767,234	
Net income	-	-	-	-	1,094,391	-	-	-	1,094,391	8,699	1,103,090	
Other comprehensive income	-	-	-	-	8,530	133,414	(121)	133,293	141,823	(8,284)	133,539	
Total comprehensive income	-	-	-	-	1,102,921	133,414	(121)	133,293	1,236,214	415	1,236,629	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	80,318	-	(80,318)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	64,362	(64,362)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(745,949)	-	-	-	(745,949)	-	(745,949)	
Other changes in capital surplus:												
Changes in equity of investments accounted for using the equity method	-	66	-	-	-	-	-	-	66	-	66	
Other changes in capital surplus	-	93	-	-	-	-	-	-	93	-	93	
Changes in ownership interests in subsidiaries	-	145	-	-	-	-	-	-	145	129	274	
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(25,066)	(25,066)	
<b>Balance at December 31, 2022</b>	<b>\$ 2,486,500</b>	<b>312,180</b>	<b>1,278,935</b>	<b>198,071</b>	<b>1,447,515</b>	<b>(83,359)</b>	<b>18,582</b>	<b>(64,777)</b>	<b>5,658,424</b>	<b>574,857</b>	<b>6,233,281</b>	

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,408,339	1,087,380
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	158,613	145,448
Amortization expenses	27,665	21,833
Expected credit losses	3,558	13,582
Interest expenses	23,154	18,985
Interest income	(31,174)	(6,309)
Dividend income	(6,379)	(6,360)
Shares of profit of investments accounted for using the equity method	(116,384)	(135,184)
Losses on disposal of property, plant and equipment	3,281	736
Losses on disposal of investments	-	205
Impairment loss on non-financial assets	734	4,146
Unrealized profit from sales	8,544	8,161
Realized profit from sales	(8,161)	(6,734)
Other	146	-
<b>Total adjustments to reconcile profit (loss)</b>	<b>63,597</b>	<b>58,509</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes receivable	2,952	(3,880)
Accounts receivable	(95,397)	(114,319)
Other receivables	(4,446)	2,009
Inventories	(83,950)	155,118
Prepayments and other current assets	(6,869)	19,707
<b>Total changes in operating assets</b>	<b>(187,710)</b>	<b>58,635</b>
<b>Changes in operating liabilities:</b>		
Contract liabilities	(6,643)	23,484
Notes payable	(49,458)	195,171
Accounts payable	96,006	(23,073)
Other payable	96,763	24,968
Other current liabilities	7,859	(12,027)
Net defined benefit liability	(3,253)	(3,712)
<b>Total changes in operating liabilities</b>	<b>141,274</b>	<b>204,811</b>
<b>Total changes in operating assets and liabilities</b>	<b>(46,436)</b>	<b>263,446</b>
<b>Total adjustments</b>	<b>17,161</b>	<b>321,955</b>
Cash inflow generated from operations	1,425,500	1,409,335
Interest received	20,126	6,375
Dividends received	91,267	79,520
Interest paid	(23,215)	(18,666)
Income taxes paid	(277,919)	(220,223)
<b>Net cash flows from operating activities</b>	<b>1,235,759</b>	<b>1,256,341</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(10,500)	(3,478)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	20,707
Acquisition of property, plant and equipment	(85,459)	(56,032)
Proceeds from disposal of property, plant and equipment	9,385	25
Decrease (increase) in refundable deposits paid	4,259	(11,820)
Acquisition of intangible assets	(43,979)	(13,839)
Decrease (increase) in other financial assets	45,179	(31,324)
Increase in prepayments for business facilities	(6,063)	(4,283)
Increase in other non-current assets	(45,958)	(68,735)
<b>Net cash flows used in investing activities</b>	<b>(133,136)</b>	<b>(168,779)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	10,890,000	5,400,000
Decrease in short-term loans	(11,231,070)	(5,404,000)
Proceeds from long-term borrowings	430,000	-
Repayments of long-term borrowings	(413,604)	(16,543)
Increase in guarantee deposits received	69	-
Payment of lease liabilities	(7,948)	-
Cash dividends paid	(745,949)	(994,600)
Dividends unclaimed by shareholders	167	1,095
Cash dividends paid to non-controlling interests	(25,066)	(30,080)
<b>Net cash flows used in financing activities</b>	<b>(1,103,401)</b>	<b>(1,044,128)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>135,849</b>	<b>(44,911)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>135,071</b>	<b>(1,477)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,222,253</b>	<b>2,223,730</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,357,324</b>	<b>2,222,253</b>

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, 2022 and 2021**

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

**(1) Company history**

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 14, 2023.

**(3) New standards, amendments and interpretations adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”

(Continued)

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

- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding		Notes
			December 31, 2022	December 31, 2021	
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Developing medicine	100.00%	100.00%	
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Selling functional food	3.89%	3.89%	
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00%	100.00%	
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	100.00%	100.00%	

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

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

(d) Foreign currencies

(i) Foreign currencies transactions

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

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

(ii) Foreign operations

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

(i) Financial assets

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI )

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

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

3) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and

(Continued)



## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

##### 3) Financial liabilities

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

##### 4) Derecognition of financial liabilities

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 5) Offsetting of financial assets and liabilities

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

#### (h) Inventories

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

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

#### (i) Investment in associates

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

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

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

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

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

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

(Continued)

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

(j) Investment property

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(iv) Reclassification as investment property

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

(l) Leases

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

(i) As a lessee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

For lease modifications that decrease the scope of the lease, the Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes the difference between this amount and the remeasurement amount of the lease liability in profit or loss.

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

#### (ii) As a lessor

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

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

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

#### (m) Intangible assets

##### (i) Recognition and measurement

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Patents and franchise	3- 15 years
2) Computer software	1-10 years
3) Other intangible assets	5 years

Amortization methods, useful lives and residual values of intangible assets are reviewed at each reporting date and adjusted as necessary.

(n) Impairment of non-financial assets

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

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

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(o) Provisions

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

(p) Revenue

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

1) Sale of goods

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

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

2) Authorization revenue

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

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

(Continued)



## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3) Financing components

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

#### (ii) Contract costs

##### 1) Incremental costs of obtaining a contract

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

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

##### 2) Costs to fulfil a contract

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

- a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- b) 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
- c) 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.

#### (q) Employee benefits

##### (i) Defined contribution plans

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (ii) Defined benefit plans

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

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

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

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

#### (iii) Other long-term employee benefits

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

#### (iv) Short-term employee benefits

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

#### (r) Income taxes

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(s) Earnings per share

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

(t) Operating segments

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

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

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

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

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

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

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

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 3,411	2,645
Cash in banks	914,093	1,012,408
Time deposits	<u>1,439,820</u>	<u>1,207,200</u>
Total	<b><u>\$ 2,357,324</u></b>	<b><u>2,222,253</u></b>

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
The equity investments at fair value through other comprehensive income:		
Domestic common stock—Lumosa Therapeutics Co., Ltd.	\$ 51,811	52,929
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares B	143,750	157,750
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares C	3,194	3,483
Domestic preferred stock—Union Bank of Taiwan Preferred Shares A	20,680	21,200
International unlisted stock—CellMax Ltd.	11,376	14,771
Domestic unlisted stock—ExoOne Bio. Co., Ltd.	<u>14,562</u>	<u>-</u>
	<b><u>\$ 245,373</u></b>	<b><u>250,133</u></b>

- (i) The Group designated the investments as equity securities at fair value through other comprehensive income because the Group intends to hold the investments for long-term strategic and not for trading purposes.
- (ii) In April 2022, the Group participated in the capital increase of ExoOne Bio. Co., Ltd. with the amount of \$10,500 thousand and acquired 7.78% equity interests, consisting of 700 thousand common shares.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (iii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022. The Group sold its shares amounting to \$35,478 thousand, resulting in a gain of \$20,543 thousand, of which attributable to the owners of parent amounting to \$11,603 thousand, for the years ended December 31, 2021. The gain on disposal of strategic investments has already reclassified from other equity interest to retained earnings.
- (iv) Please refer to Note 6(t) for information on credit and market risk.
- (v) The above financial assets were not pledged as collateral.
- (c) Notes receivable and accounts receivable (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable	\$ 34,708	37,661
Accounts receivable	1,182,113	1,080,007
Accounts receivable-related parties	16,548	22,996
Less: allowance for expected credit losses	(6,221)	(2,911)
	<b>\$ 1,227,148</b>	<b>1,137,753</b>

The Group applies the simplified approach to evaluating its expected credit losses (ECLs), i.e., the Group recognizes the impairment provision for lifetime ECLs for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract, and forward-looking information has been incorporated. Analysis of the expected credit losses on note and accounts receivable is as follows:

	<b>December 31, 2022</b>		
	<b>Face value of notes receivable and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 1,204,910	0.03%~1%	1,142
1 to 90 days overdue	23,357	0.13%~1.36%	317
More than 181 days overdue	5,102	2%~100%	4,762
	<b>\$ 1,233,369</b>		<b>6,221</b>

(Continued)

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

	<b>December 31, 2021</b>		
	<b>Face value of notes receivable and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 1,130,201	0%~1%	1,370
1 to 90 days overdue	6,419	0%~13%	119
91 to 180 days overdue	3,996	0%~70%	1,421
More than 181 days overdue	48	2%~100%	1
	<b>\$ 1,140,664</b>		<b>2,911</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 2,911	21,941
Expected credit losses recognized	3,558	13,582
Amounts written off	(248)	(32,612)
Balance at December 31	<b>\$ 6,221</b>	<b>2,911</b>

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

(d) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Merchandise	\$ 239,756	284,607
Finished goods	162,491	193,618
Work in process	250,536	112,062
Raw materials	256,076	321,784
Materials	56,818	54,076
Subtotal	965,677	966,147
Goods in transit	175,806	110,840
Total	1,141,483	1,076,987
Less: allowance for inventory market decline and obsolescence	(102,383)	(121,976)
Net amount	<b>\$ 1,039,100</b>	<b>955,011</b>

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

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Inventories have been sold	\$ 1,993,285	1,675,567
Cost of services	3,798	38,024
Write-off of inventories from cost to net realizable value and disposal of inventories	43,025	54,039
	<b><u>\$ 2,040,108</u></b>	<b><u>1,767,630</u></b>

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

- (e) Investments accounted for using the equity method

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	<b><u>\$ 1,301,209</u></b>	<b><u>1,233,023</u></b>

- 1) As of December 31, 2022 and 2021, the associate which the Group invested had a quoted market price was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Carrying value	<b><u>\$ 861,252</u></b>	<b><u>873,627</u></b>
Fair value	<b><u>\$ 3,233,351</u></b>	<b><u>1,877,930</u></b>

- 2) For the years ended December 31, 2022 and 2021, as PharmaEngine, Inc. amortized the compensation cost of employee stock options, employee stock options expired, the compensation cost of amortized restricted stock awards, and purchased treasury stocks, the Group's equity has changed and its capital reserve was debit by \$66 thousand and \$(13,893) thousand, respectively.

For the years ended December 31, 2022 and 2021, the Group's shareholding ratio dropped from 18.01% to 18.00% and rose from 17.77% to 18.01%, respectively.

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

- Summary financial information on PharmaEngine, Inc.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current assets	\$ 3,926,084	4,008,969
Non-current assets	40,458	17,374
Current liabilities	(78,737)	(87,705)
Non-current liabilities	(15,728)	-
Net assets	<b>\$ 3,872,077</b>	<b>3,938,638</b>
Net assets attributable to investee's owners	<b>\$ 3,872,077</b>	<b>3,938,638</b>
<b>For the years ended December 31,</b>		
	<b>2022</b>	<b>2021</b>
Operating revenue	<b>\$ 654,383</b>	<b>654,835</b>
Profit from continuing operations	318,783	426,031
Other comprehensive loss	-	(1,213)
Total comprehensive income	<b>\$ 318,783</b>	<b>424,818</b>
Comprehensive income attributable to investee's owners	<b>\$ 318,783</b>	<b>424,818</b>
<b>For the years ended December 31,</b>		
	<b>2022</b>	<b>2021</b>
Net assets attributable to the Group, January 1	\$ 709,349	712,779
Changes in capital surplus of associates	66	(13,893)
Comprehensive income attributable to the Group	57,400	76,030
Cash dividends received from associates	(69,841)	(65,567)
Net assets attributable to the Group, December 31	696,974	709,349
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, December 31	<b>\$ 861,252</b>	<b>873,627</b>

- (iii) Summary financial information on individually insignificant associates

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Carrying amount of individually insignificant associates	<b>\$ 439,954</b>	<b>359,396</b>

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Attributable to the Group:		
Profit from continuing operations	\$ 58,984	58,934
Other comprehensive income (loss)	37,008	(35,197)
Total comprehensive income	<b>\$ 95,992</b>	<b>23,737</b>

(iv) Collateral

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

(f) Material non-controlling interests of subsidiaries

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

Subsidiary	Country of registration	<b>Ownership and voting rights ratio</b>	
		<b>December 31, 2022</b>	<b>December 31, 2021</b>
TSH Biopharm Co., Ltd.	Taiwan	56.48%	56.48%
EnhanX Biopharm Inc.	Taiwan	50.00%	50.00%
Chuang Yi Biotech Co., Ltd.	Taiwan	52.94%	52.94%

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current assets	\$ 907,522	919,972
Non-current assets	239,811	240,885
Current liabilities	(82,501)	(85,800)
Non-current liabilities	(4,557)	-
Net assets	<b>\$ 1,060,275</b>	<b>1,075,057</b>
Net assets attributable to non-controlling interest	<b>\$ 461,337</b>	<b>467,741</b>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	<b>\$ 464,378</b>	<b>413,483</b>
Profit for the period	62,055	45,881
Other comprehensive loss	(19,322)	(21,088)
Total comprehensive income	<b>\$ 42,733</b>	<b>24,793</b>
Profit attributable to non-controlling interest	<b>\$ 27,036</b>	<b>20,061</b>
Total comprehensive income attributable to non-controlling interest	<b>\$ 18,627</b>	<b>10,884</b>

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash flows from operating activities	\$ 73,890	68,707
Cash flows from (used in) investing activities	10,863	(10,060)
Cash flows used in financing activities	(62,164)	(73,461)
Net increase (decrease) in cash	<b>\$ 22,589</b>	<b>(14,814)</b>
Dividends paid to non-controlling interests	<b>\$ 25,066</b>	<b>30,080</b>

(ii) Summary financial information on EnhanX Biopharm Inc.

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Current assets	\$ 8,867	23,834
Non-current assets	70,839	97,188
Current liabilities	(2,007)	(3,013)
Non-current liabilities	-	(120)
Net assets	<b>\$ 77,699</b>	<b>117,889</b>
Net assets attributable to non-controlling interests	<b>\$ 38,850</b>	<b>58,945</b>

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ -	-
Loss for the period	(40,251)	(28,967)
Other comprehensive income (loss)	61	(241)
Total comprehensive loss	<b>\$ (40,190)</b>	<b>(29,208)</b>
Loss attributable to non-controlling interest	<b>\$ (20,126)</b>	<b>(14,483)</b>
Total comprehensive loss attributable to non-controlling interest	<b>\$ (20,095)</b>	<b>(14,603)</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash flows used in operating activities	\$ (14,364)	(17,724)
Cash flows used in financing activities	(178)	(178)
Net decrease in cash	<b>\$ (14,542)</b>	<b>(17,902)</b>

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

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Current assets	\$ 235,384	279,394
Non-current assets	58,573	68,619
Current liabilities	(122,999)	(184,631)
Non-current liabilities	(12,400)	(9,315)
Net assets	<b>\$ 158,558</b>	<b>154,067</b>
Net assets attributable to non-controlling interests	<b>\$ 74,618</b>	<b>72,504</b>

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	<b>\$ 276,688</b>	<b>260,692</b>
Profit (loss) for the period	4,253	(31,516)
Other comprehensive income (loss)	37	(170)
Total comprehensive income (loss)	<b>\$ 4,290</b>	<b>(31,686)</b>
Profit (loss) attributable to non-controlling interest	<b>\$ 2,001</b>	<b>(14,832)</b>
Total comprehensive income (loss) attributable to non-controlling interest	<b>\$ 2,019</b>	<b>(14,751)</b>

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash flows (used in) from operating activities	\$ (37,983)	30,555
Cash flows from (used in) investing activities	20,982	(5,273)
Cash flows used in financing activities	(27,236)	(23,640)
Effect of exchange rates changes on cash and cash equivalents	27	(33)
Net (decrease) increase in cash	<b>\$ (44,210)</b>	<b>1,609</b>

(Continued)

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

(g) Property, plant and equipment

The details of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021 were as follows:

	Land	Building and construction	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Constructio n in progress	Total
<b>Cost:</b>								
Balance on January 1, 2022	\$ 902,897	1,419,790	792,785	5,601	531,758	28,571	95,000	3,776,402
Additions	-	18,001	14,313	-	25,513	7,386	20,246	85,459
Disposals	-	(7,141)	(19,587)	(516)	(3,722)	(7,451)	-	(38,417)
Reclassifications	-	1,191	43,050	-	(753)	920	(38,160)	6,248
Adjustment for foreign currency translation	-	-	7	-	20	2	-	29
Balance on December 31, 2022	<b>\$ 902,897</b>	<b>1,431,841</b>	<b>830,568</b>	<b>5,085</b>	<b>552,816</b>	<b>29,428</b>	<b>77,086</b>	<b>3,829,721</b>
Balance on January 1, 2021	\$ 902,897	1,296,445	707,991	5,601	498,978	21,683	323,327	3,756,922
Additions	-	3,890	11,678	-	29,627	10,236	600	56,031
Disposals	-	(25,545)	(1,022)	-	(7,172)	(3,512)	-	(37,251)
Reclassifications	-	145,000	74,142	-	10,384	173	(228,927)	772
Adjustment for foreign currency translation	-	-	(4)	-	(59)	(9)	-	(72)
Balance on December 31, 2021	<b>\$ 902,897</b>	<b>1,419,790</b>	<b>792,785</b>	<b>5,601</b>	<b>531,758</b>	<b>28,571</b>	<b>95,000</b>	<b>3,776,402</b>
<b>Depreciation and impairment:</b>								
Balance on January 1, 2022	\$ -	453,439	425,048	5,176	384,450	10,897	-	1,279,010
Depreciation for the year	-	64,279	46,958	398	32,175	5,453	-	149,263
Reclassifications	-	-	-	-	(184)	184	-	-
Impairment loss	-	-	-	-	734	-	-	734
Disposals	-	(7,140)	(13,052)	(489)	(3,555)	(1,515)	-	(25,751)
Adjustment for foreign currency translation	-	-	5	-	15	2	-	22
Balance on December 31, 2022	<b>\$ -</b>	<b>510,578</b>	<b>458,959</b>	<b>5,085</b>	<b>413,635</b>	<b>15,021</b>	<b>-</b>	<b>1,403,278</b>
Balance on January 1, 2021	\$ -	421,638	381,497	4,264	359,538	10,903	-	1,177,840
Depreciation for the year	-	57,347	44,574	912	31,904	3,451	-	138,188
Disposals	-	(25,546)	(1,022)	-	(6,939)	(3,448)	-	(36,955)
Adjustment for foreign currency translation	-	-	(1)	-	(53)	(9)	-	(63)
Balance on December 31, 2021	<b>\$ -</b>	<b>453,439</b>	<b>425,048</b>	<b>5,176</b>	<b>384,450</b>	<b>10,897</b>	<b>-</b>	<b>1,279,010</b>
<b>Carrying value:</b>								
Balance on December 31, 2022	<b>\$ 902,897</b>	<b>921,263</b>	<b>371,609</b>	<b>-</b>	<b>139,181</b>	<b>14,407</b>	<b>77,086</b>	<b>2,426,443</b>
Balance on January 1, 2021	<b>\$ 902,897</b>	<b>874,807</b>	<b>326,494</b>	<b>1,337</b>	<b>139,440</b>	<b>10,780</b>	<b>323,327</b>	<b>2,579,082</b>
Balance on December 31, 2021	<b>\$ 902,897</b>	<b>966,351</b>	<b>367,737</b>	<b>425</b>	<b>147,308</b>	<b>17,674</b>	<b>95,000</b>	<b>2,497,392</b>

(i) Collateral

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

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- (ii) Property, plant and equipment under construction

As of the reporting date, the Group's plant under construction has incurred expenditures amounting to \$77,086 thousand, and there were no capitalized loan cost for the years ended December 31, 2022 and 2021.

- (h) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2022	\$ 99,769	54,786	154,555
Effect of changes in foreign exchange rate	-	377	377
Balance on December 31, 2022	<u>\$ 99,769</u>	<u>55,163</u>	<u>154,932</u>
Balance on January 1, 2021	\$ 99,769	54,981	154,750
Effect of changes in foreign exchange rate	-	(195)	(195)
Balance on December 31, 2021	<u>\$ 99,769</u>	<u>54,786</u>	<u>154,555</u>
<b>Accumulated depreciation and impairment loss:</b>			
Balance on January 1, 2022	\$ -	18,866	18,866
Depreciation	-	1,414	1,414
Effect of changes in foreign exchange rate	-	47	47
Balance on December 31, 2022	<u>\$ -</u>	<u>20,327</u>	<u>20,327</u>
Balance on January 1, 2021	\$ -	17,480	17,480
Depreciation	-	1,406	1,406
Effect of changes in foreign exchange rate	-	(20)	(20)
Balance on December 31, 2021	<u>\$ -</u>	<u>18,866</u>	<u>18,866</u>
<b>Carrying amount:</b>			
Balance on December 31, 2022	<u>\$ 99,769</u>	<u>34,836</u>	<u>134,605</u>
Balance on January 1, 2021	<u>\$ 99,769</u>	<u>37,501</u>	<u>137,270</u>
Balance on December 31, 2021	<u>\$ 99,769</u>	<u>35,920</u>	<u>135,689</u>
<b>Fair value:</b>			
Balance on December 31, 2022			<u>\$ 341,295</u>
Balance on December 31, 2021			<u>\$ 295,466</u>

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

- (ii) As of December 31, 2022 and 2021, the Group investment properties were not pledged as collateral.

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(i) Intangible assets

The cost, amortization, and impairment of the intangible assets of the Group for the years ended December 31, 2022 and 2021, were as follows:

	<b>Computer software</b>	<b>Patent and franchise</b>	<b>Others Intangible assets</b>	<b>Total</b>
<b>Cost:</b>				
Balance on January 1, 2022	\$ 26,575	220,940	-	247,515
Additions	8,685	16,100	19,194	43,979
Disposals	(9,707)	(21,000)	-	(30,707)
Reclassifications	1,555	52,944	55,032	109,531
Balance on December 31, 2022	<b>\$ 27,108</b>	<b>268,984</b>	<b>74,226</b>	<b>370,318</b>
Balance on January 1, 2021	\$ 17,067	218,440	-	235,507
Additions	11,339	2,500	-	13,839
Disposals	(1,829)	-	-	(1,829)
Effect of changes in foreign exchange rate	(2)	-	-	(2)
Balance on December 31, 2021	<b>\$ 26,575</b>	<b>220,940</b>	<b>-</b>	<b>247,515</b>
<b>Amortization and impairment loss:</b>				
Balance on January 1, 2022	\$ 12,573	110,038	-	122,611
Amortization for the period	5,593	17,930	4,142	27,665
Disposals	(9,707)	(21,000)	-	(30,707)
Balance on December 31, 2022	<b>\$ 8,459</b>	<b>106,968</b>	<b>4,142</b>	<b>119,569</b>
Balance on January 1, 2021	\$ 9,910	92,699	-	102,609
Amortization for the period	4,494	17,339	-	21,833
Disposals	(1,829)	-	-	(1,829)
Effect of changes in foreign exchange rate	(2)	-	-	(2)
Balance on December 31, 2021	<b>\$ 12,573</b>	<b>110,038</b>	<b>-</b>	<b>122,611</b>
<b>Carrying value:</b>				
Balance on December 31, 2022	<b>\$ 18,649</b>	<b>162,016</b>	<b>70,084</b>	<b>250,749</b>
Balance on January 1, 2021	<b>\$ 7,157</b>	<b>125,741</b>	<b>-</b>	<b>132,898</b>
Balance on December 31, 2021	<b>\$ 14,002</b>	<b>110,902</b>	<b>-</b>	<b>124,904</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Amortization expenses

Amortization expenses of intangible assets for the years ended December 31, 2022 and 2021, were recorded in the following items in the statements of comprehensive income:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 4,551	187
Operating expenses	23,114	21,646
	<b>\$ 27,665</b>	<b>21,833</b>

(ii) Collateral

As of December 31, 2022 and 2021, the aforementioned intangible assets were not pledged as collateral.

(j) Other financial assets and other assets

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other current financial assets	\$ 275,053	319,724
Other non-current financial assets	150,793	151,300
Long-term prepayments	10,840	79,672
Other current and non-current assets	12,367	1,279
	<b>\$ 449,053</b>	<b>551,975</b>

(i) Both current and non-current other financial assets were bank deposits that did not qualify as cash and cash equivalents.

(ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use. Please refer to Note 9 for the relevant unrecognized contractual commitments.

(iii) Please refer to Note 8 for the Group's information of collateral.

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured bank loans	\$ 20,000	61,070
Unsecured bank loans	1,350,000	1,650,000
	<b>\$ 1,370,000</b>	<b>1,711,070</b>
Unused credit line	<b>\$ 1,689,068</b>	<b>1,176,395</b>
Range of interest rates	<b>1.28%~2.675%</b>	<b>0.72%~2%</b>

(Continued)



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

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

(l) Long-term borrowings

The long-term borrowings were summarized as follows:

	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	NTD	2.25%	2024	\$ 28,447
Unsecured bank loans	NTD	1.8488%	2023	400,000
Less: current portion				(418,852)
Total				<b>\$ 9,595</b>
Unused credit lines				<b>\$ 300,000</b>

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

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

(m) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligation	\$ 80,573	96,593
Fair value of plan assets	(39,759)	(43,996)
Net defined benefit liabilities	<b>\$ 40,814</b>	<b>52,597</b>

(Continued)

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

The Group's employee benefit liabilities were as below:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Vacation liability	<b>\$ 7,826</b>	<b>7,861</b>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$39,759 thousand as of December 31, 2022. 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 Group were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Defined benefit obligation, January 1	\$ 96,593	105,341
Current service costs and interest	729	823
Remeasurement on the net defined benefit liabilities (assets):		
– Actuarial gain arising from changes in demographic assumptions	-	3,780
– Actuarial loss arising from changes in financial assumptions	(5,886)	(346)
– Experience adjustments	1,345	8,119
Benefits paid	(12,208)	(21,124)
Defined benefit obligations, December 31	<b>\$ 80,573</b>	<b>96,593</b>

(Continued)

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

3) Movements in the fair value of plan assets

The movements in the fair value of the plan assets for the Group were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets, January 1	\$ 43,996	59,841
Interest revenue	220	282
Remeasurement on the net defined liabilities (assets):		
— Return on plan assets excluding interest income	3,989	744
Contributions made	3,762	4,253
Benefits paid	(12,208)	(21,124)
Fair value of plan assets, December 31	<b><u>\$ 39,759</u></b>	<b><u>43,996</u></b>

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2022 and 2021, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current service cost	\$ 251	338
Net interest of net liabilities (assets) for defined benefit obligation	258	203
	<b><u>\$ 509</u></b>	<b><u>541</u></b>

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 134	171
Selling expenses	115	139
Administrative expenses	135	131
Research and development expenses	125	100
	<b><u>\$ 509</u></b>	<b><u>541</u></b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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, 2022 and 2021, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Accumulated amount, January 1	\$ 11,190	381
Recognized during the year	(8,530)	10,809
Accumulated amount, December 31	<b>\$ 2,660</b>	<b>11,190</b>

- 6) Actuarial assumptions

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate	1.30%	0.51%
Future salary increase rate	3.00%	3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$3,688 thousand.

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

- 7) Sensitivity analysis

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

	<b>Influences of defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2022		
Discount rate (Fluctuation of 0.25%)	\$ (1,498)	1,540
Future salary increasing rate (Fluctuation of 0.25%)	1,312	(1,285)
December 31, 2021		
Discount rate (Fluctuation of 0.25%)	\$ (1,923)	1,983
Future salary increasing rate (Fluctuation of 0.25%)	1,691	(1,652)

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(ii) Defined contribution plans

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

The pension costs under defined contribution plans, which had been allocated to the Bureau of Labor Insurance, amounted to \$39,399 thousand and \$39,283 thousand for the years ended December 31, 2022 and 2021, respectively.

(n) Income Tax

(i) Income tax expense

The components of income tax for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current tax expense		
Current period	\$ 275,412	265,326
Adjustment for prior periods	1,636	(4,823)
	277,048	260,503
Deferred tax expense		
Origination and reversal of temporary difference	28,201	4,308
Income tax expense from continuing operations	<b>\$ 305,249</b>	<b>264,811</b>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021 was as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<b>\$ (33,351)</b>	<b>17,540</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Reconciliation of income tax and profit before tax for the years ended December 31, 2022 and 2021 is as follows

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Profit before income tax	\$ 1,408,339	1,087,380
Income tax using the company's domestic tax rate	\$ 284,372	216,700
Permanent difference	13,091	52,404
Gains derived from securities transactions	(1,276)	(1,272)
Tax incentives	(515)	(2,636)
Changes in provision in prior periods	1,636	(4,823)
Undistributed earnings additional tax at 5%	-	3,766
Non-deductible expenses	5,243	2,309
Others	2,698	(1,637)
	<b>\$ 305,249</b>	<b>264,811</b>

(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, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ (390,051)	(390,051)
Unrecognized deferred tax liabilities	\$ (78,010)	(78,010)

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, were as follows:

	<b>Gain on foreign investments</b>	<b>Reserve for land revaluation increment tax</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities:				
Balance, January 1, 2022	\$ 199,648	60,871	-	260,519
Recognized in profit or loss	9,551	-	2,022	11,573
Recognized in other comprehensive income	33,351	-	-	33,351
Balance, December 31, 2022	<b>\$ 242,550</b>	<b>60,871</b>	<b>2,022</b>	<b>305,443</b>
Balance, January 1, 2021	\$ 210,955	60,871	-	271,826
Recognized in profit or loss	6,233	-	-	6,233
Recognized in other comprehensive income	(17,540)	-	-	(17,540)
Balance, December 31, 2021	<b>\$ 199,648</b>	<b>60,871</b>	<b>-</b>	<b>260,519</b>

	<b>Defined benefit plan</b>	<b>Gain or loss on valuation of inventory</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets:				
Balance, January 1, 2022	\$ 5,575	16,848	41,300	63,723
Recognized in profit or loss	(651)	2,364	(18,348)	(16,635)
Exchange differences on translation of foreign operations	-	-	7	7
Balance, December 31, 2022	<b>\$ 4,924</b>	<b>19,212</b>	<b>22,959</b>	<b>47,095</b>
Balance, January 1, 2021	\$ 6,317	14,934	40,547	61,798
Recognized in profit or loss	(742)	1,914	753	1,925
Balance, December 31, 2021	<b>\$ 5,575</b>	<b>16,848</b>	<b>41,300</b>	<b>63,723</b>

(iii) Assessment of tax

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

(o) Capital and other equity

As of December 31, 2022 and 2021, the authorized capital of the Company amounted to \$5,000,000, with a par value of \$10 per share, which consisted of 500,000 thousand shares of common stock. The paid-in capital was \$2,486,500, which consisted of 248,650 thousand shares. All issued shares were paid up upon issuance.

(Continued)

## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Capital surplus

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Share capital	\$ 484	484
Long-term investment	310,893	310,682
Other	803	710
	<b><u>\$ 312,180</u></b>	<b><u>311,876</u></b>

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

(ii) Retained earnings

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

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

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

(Continued)



## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

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

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of \$82,429 thousand and unrealized revaluation increments of \$27,725 thousand. When relevant assets are used, disposed or reclassified, the original proportion of the special reserve can be reversed to distribute surplus.

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

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

3) Earnings distribution

Earnings distribution for 2021 and 2020 was resolved in the general meeting of shareholders held on May 26, 2022 and August 25, 2021, respectively. The appropriation for dividends to ordinary shareholders is as follows:

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

(Continued)

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

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

	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (216,773)	18,703	(198,070)
Exchange differences on foreign operations	133,414	-	133,414
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(6,852)	(6,852)
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	6,731	6,731
Balance at December 31, 2022	<u>\$ (83,359)</u>	<u>18,582</u>	<u>(64,777)</u>
Balance at January 1, 2021	\$ (146,611)	12,902	(133,709)
Exchange differences on foreign operations	(69,986)	-	(69,986)
Exchange differences of associates accounted for using the equity method	(176)	-	(176)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(11,914)	(11,914)
Unrealized gains on financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	6,112	6,112
Disposal of equity instruments measured at fair value through other comprehensive income reclassified to retained earning	-	11,603	11,603
Balance at December 31, 2021	<u>\$ (216,773)</u>	<u>18,703</u>	<u>(198,070)</u>

(iv) Non-controlling interests

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 599,379	628,302
Attributable to non-controlling interests:		
Profit (losses) for the period	8,699	(9,325)
Exchange differences on translation in foreign operations	125	28
Unrealized losses on financial assets	(8,410)	(9,180)
Cash dividend distributed	(25,066)	(30,080)
Changes in ownership interest in subsidiaries	130	168
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	-	19,466
Balance at December 31	<u>\$ 574,857</u>	<u>599,379</u>

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(p) Earnings per share

For the years ended December 31, 2022 and 2021, the Company's earnings per share were calculated as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<b>\$ 1,094,391</b>	<b>831,894</b>
Weighted average number of ordinary shares	248,650	248,650
	<b>\$ 4.40</b>	<b>3.35</b>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted)	<b>\$ 1,094,391</b>	<b>831,894</b>
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	356	409
Weighted average number of ordinary shares (diluted)	<b>249,006</b>	<b>249,059</b>
	<b>\$ 4.40</b>	<b>3.34</b>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the years ended December 31, 2022</b>					
	<b>Oncology Business Unit</b>	<b>Health Care Unit</b>	<b>Anti- Infection Business Unit</b>	<b>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</b>	<b>Other Segment</b>	<b>Total</b>
Primary geographical markets:						
Taiwan	\$ 2,514,387	178,833	1,167,857	458,317	276,639	4,596,033
Other countries	455,174	-	-	4,137	6,262	465,573
	<b>\$ 2,969,561</b>	<b>178,833</b>	<b>1,167,857</b>	<b>462,454</b>	<b>282,901</b>	<b>5,061,606</b>
Major products/services lines:						
Medicine and functional food	\$ 2,858,267	178,269	1,167,844	442,268	282,901	4,929,549
Services	26,193	564	13	20,186	-	46,956
Royalty	85,101	-	-	-	-	85,101
	<b>\$ 2,969,561</b>	<b>178,833</b>	<b>1,167,857</b>	<b>462,454</b>	<b>282,901</b>	<b>5,061,606</b>

(Continued)

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

For the years ended December 31, 2021

	<b>Oncology Business Unit</b>	<b>Health Care Unit</b>	<b>Anti- Infection Business Unit</b>	<b>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</b>	<b>Other Segment</b>	<b>Total</b>
Primary geographical markets:						
Taiwan	\$ 2,372,040	165,760	1,040,488	405,777	262,292	4,246,357
Other countries	274,962	-	90	5,760	8,441	289,253
	<b>\$ 2,647,002</b>	<b>165,760</b>	<b>1,040,578</b>	<b>411,537</b>	<b>270,733</b>	<b>4,535,610</b>
Major products/services lines:						
Medicine and functional food	\$ 2,537,460	165,760	1,040,569	411,380	269,019	4,424,188
Services	98,764	-	9	157	1,714	100,644
Royalty	10,778	-	-	-	-	10,778
	<b>\$ 2,647,002</b>	<b>165,760</b>	<b>1,040,578</b>	<b>411,537</b>	<b>270,733</b>	<b>4,535,610</b>

(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2020</b>
Contract liability	<b>\$ 33,126</b>	<b>39,769</b>	<b>16,285</b>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$16,560 thousand and \$12,804 thousand, respectively.

(r) Remunerations to employees and directors

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

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration at \$24,328 thousand and \$23,195 thousand, respectively, and directors' remuneration both at \$14,950 thousand. These amounts were calculated by using the Company's profit before tax for the period before deducting the amounts of the remuneration to employees and directors based on the Company's Articles of Incorporation and the amount was recognized under operating expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

(Continued)

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

(s) Non-operating income and expenses

(i) Interest income

The details of total interest income for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	<b>\$ 31,174</b>	<b>6,309</b>

(ii) Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Rent revenue	\$ 10,780	10,920
Others	-	351
	<b>\$ 10,780</b>	<b>11,271</b>

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Losses on disposal of property, plant and equipment	\$ (3,281)	(736)
Dividend income	6,379	6,360
Foreign exchange gains	23,813	1,116
Impairment losses of non-financial assets	(734)	(4,146)
Other gains and losses	19,021	(189,645)
	<b>\$ 45,198</b>	<b>(187,051)</b>

(iv) Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest expense	\$ 22,852	18,966
Other finance costs	302	19
	<b>\$ 23,154</b>	<b>18,985</b>

(Continued)

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

(t) Financial instruments

(i) Credit risk of receivables

1) Credit risk exposure

The carrying amount of financial assets represents the Group's maximum amount exposed to credit risk. Such maximum credit exposure on December 31, 2022 and 2021, amounted to \$1,233,369 thousand and \$1,140,664 thousand, respectively.

2) Concentration of credit risk

In order to lower the credit risk on accounts receivable, the Group continually evaluates clients' financial situation and also assesses the possibility of collecting accounts receivable and recognizes an "allowance for expected credit loss". Expected credit losses are always within the administrative personnel's expectations. As of December 31, 2022 and 2021, the accounts receivable from the Group's top ten customers represented were both at 16%, of accounts receivable.

(ii) Credit risk of receivables

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

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

(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Bank loans	\$ 1,798,447	1,808,401	1,798,739	9,662	-
Non-interest-bearing liabilities (including related parties)	997,307	997,307	908,707	88,600	-
Lease liabilities (current and non-current)	6,959	7,050	3,950	3,100	-
Guarantee deposits received	2,431	2,431	2,431	-	-
	<u><b>\$ 2,805,144</b></u>	<u><b>2,815,189</b></u>	<u><b>2,713,827</b></u>	<u><b>101,362</b></u>	<u><b>-</b></u>

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Bank loans	\$ 2,123,121	2,127,293	2,123,120	4,173	-
Non-interest-bearing liabilities (including related parties)	853,153	853,153	709,353	110,400	33,400
Lease liabilities (current and non-current)	21,784	22,284	7,850	10,873	3,561
Guarantee deposits received	2,429	2,429	2,429	-	-
	<b><u>\$ 3,000,487</u></b>	<b><u>3,005,159</u></b>	<b><u>2,842,752</u></b>	<b><u>125,446</u></b>	<b><u>36,961</u></b>

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

(iv) Market risk

1) Currency risk

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

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 8,433	30.7100	258,978	11,054	27.68	305,973
CNY	2,382	4.4080	10,500	2,429	4.344	10,553
JPY	185,734	0.2324	43,165	128,475	0.24	30,898
EUR	312	32.7200	10,206	180	31.32	5,630
<u>Non-monetary items</u>						
USD	48,213	30.7100	1,480,633	47,800	27.68	1,323,103
CNY	48,604	4.4080	214,245	47,335	4.344	205,623
THB	394,733	0.8941	352,931	350,604	0.835	292,649
EUR	43	32.7200	1,420	58	31.32	1,815
TRY	6,528	1.6410	10,712	6,744	2.16	14,539

2) Sensitivity analysis

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY and EUR as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$2,583 thousand and \$2,824 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, the foreign exchange gains (losses) (including realized and unrealized portions) amounted to gain \$23,813 thousand and gain \$1,116 thousand, respectively.

(v) Interest rate analysis

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

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

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

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$1,465 thousand and \$899 thousand for the years ended December 31, 2022 and 2021, respectively with all other variable factors remaining constant.

(vi) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Security Price at the reporting date	For the years ended December 31,			
	2022		2021	
	Other Comprehensive income after tax	Net income after tax	Other Comprehensive income after tax	Net income after tax
Increase by 10%	\$ 24,537	-	25,013	-
Dncrease by 10%	\$ (24,537)	-	(25,013)	-

(Continued)



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

(vii) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

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

(Continued)

# TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 182,433	182,433	-	-	182,433
Domestic stock in listed company at Taipei Exchange	52,929	52,929	-	-	52,929
International stock	14,771	-	-	14,771	14,771
Subtotal	250,133	235,362	-	14,771	250,133
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,222,253	-	-	-	-
Notes and accounts receivable (including related party)	1,137,753	-	-	-	-
Other receivables (including related party)	13,622	-	-	-	-
Other financial assets	471,024	-	-	-	-
Refundable deposits paid	33,833	-	-	-	-
Subtotal	3,878,485	-	-	-	-
Total	<b>\$ 4,128,618</b>	<b>235,362</b>	<b>-</b>	<b>14,771</b>	<b>250,133</b>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,123,121	-	-	-	-
Notes and accounts payable (including related party)	187,268	-	-	-	-
Other payables (including related party)	522,085	-	-	-	-
Lease liabilities (current and non-current)	21,784	-	-	-	-
Guarantee deposit received	2,429	-	-	-	-
Other non-current liabilities	143,800	-	-	-	-
Total	<b>\$ 3,000,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 2) Fair value hierarchy

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

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

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

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

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2022 and 2021, so there was no transfer between levels.

6) Reconciliation of Level 3 fair values

	<b>Fair value through other comprehensive income</b>
	<b>Unquoted equity instruments</b>
Balance at January 1, 2022	\$ 14,771
Addition	10,500
Recognized in other comprehensive income	667
Balance at December 31, 2022	<b>\$ 25,938</b>
Balance at January 1, 2021	\$ 49,271
Addition	14,771
Disposal	(49,271)
Balance at December 31, 2021	<b>\$ 14,771</b>

7) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "fair value through other comprehensive income – equity investments".

Most of the Group's financial instruments that use Level 3 inputs have only one significant unobservable input. Only equity investments without an active market have multiple significant unobservable input.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income - equity investments without an active market	Comparable companies method	<ul style="list-style-type: none"> <li>• Discount for lack of market liquidity (On December 31, 2022 and 2021 were 27.30%~30% and 28.52%)</li> <li>• Expected volatility (On December 31, 2022 and 2021 were 58.78% and 60.84%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the discount for lack of market liquidity, the lower the fair value.</li> <li>• The higher the volatility, the higher the fair value.</li> </ul>

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

	Input	Change	Other comprehensive income	
			Favorable	Unfavorable
<b>December 31, 2022</b>				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	314	(314)
	Expected volatility	1%	39	(39)
<b>December 31, 2021</b>				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	148	(148)
	Expected volatility	1%	494	(489)

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

(u) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 security investments.

##### 1) Accounts receivable and other receivables

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

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

##### 2) Investment

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

##### 3) Guarantees

The Company's policy stipulates that financial guarantees can only be provided to controlled subsidiaries. Furthermore, the Group did not provide any endorsement guarantee to external parties as of December 31, 2022 and 2021.

#### (iv) Liquidity risk

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as changes in 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.

(v) Capital management

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

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

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 3,367,354	3,529,231
Less: cash and cash equivalents	(2,357,324)	(2,222,253)
Net debt	1,010,030	1,306,978
Total capital	6,233,281	5,767,234
Adjusted capital	<b>\$ 7,243,311</b>	<b>7,074,212</b>
Debt-to-equity ratio	<b>13.94%</b>	<b>18.48%</b>

**(7) Related-party transactions:**

(a) Names of related parties and relationship

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

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

(Continued)

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

(b) Significant transactions with related parties

(i) Sales revenue

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	\$ 99,368	86,888
Other related parties	382	465
	<b><u>\$ 99,750</u></b>	<b><u>87,353</u></b>

The selling prices with associates were marked up by 100% of the cost of goods sold. If the collection was past due three months, then 5% interest was charged.

(ii) Other gains

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

<b>Recognized item</b>	<b>Category</b>	<b>For the years ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
Other gains	Associates-ATB	\$ 12,430	11,903
	Associates	1,894	2,926
		<b><u>\$ 14,324</u></b>	<b><u>14,829</u></b>

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

(c) Assets and liabilities with related parties

<b>Recognized item</b>	<b>Category</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2022</b>	<b>2021</b>
Accounts receivable	Associates	\$ 16,426	22,936
	Other related parties	122	60
		<b><u>\$ 16,548</u></b>	<b><u>22,996</u></b>
Other receivables	Associate-ATB	<b><u>\$ 3,669</u></b>	<b><u>2,971</u></b>

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 85,355	93,028
Post-employment benefits	1,004	1,021
	<u>\$ 86,359</u>	<u>94,049</u>

(8) **Assets pledged as security:**

The carrying amounts of pledged assets were as follows:

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

(9) **Significant commitments and contingencies:**

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<u>Total price of unfinished contracts</u>		
Purchase of equipment and construction engineering	<u>\$ 40,124</u>	<u>18,185</u>
Acquisition of intangible assets	<u>\$ 160,907</u>	<u>219,892</u>
Research and development service	<u>\$ 114,245</u>	<u>195,549</u>
Purchase of raw materials	<u>\$ 103,016</u>	<u>333,252</u>
<u>Unpaid amount</u>		
Purchase of equipment and construction engineering	<u>\$ 16,660</u>	<u>10,974</u>
Acquisition of intangible assets	<u>\$ 143,424</u>	<u>146,170</u>
Research and development service	<u>\$ 39,739</u>	<u>86,828</u>
Purchase of raw materials	<u>\$ 47,984</u>	<u>235,925</u>

(b) As of December 31, 2022, and 2021, the financial institutions provided guarantee for the import and sale of medicine, which amounted to \$62,146 thousand and \$153,605 thousand, respectively.

(10) **Losses due to major disasters: None**

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

(11) Subsequent events: None

(12) Other:

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

By item	By function		For the years ended December 31,			
	2022			2021		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 231,009	672,136	903,145	212,700	651,638	864,338
Health and labor insurance	21,522	49,113	70,635	20,731	49,819	70,550
Pension	11,747	28,161	39,908	11,213	28,611	39,824
Others	6,788	55,021	61,809	2,006	55,583	57,589
Depreciation expense	117,388	41,225	158,613	104,315	41,133	145,448
Amortization expense	4,551	23,114	27,665	187	21,646	21,833

(b) Others

The Group donated \$86,686 thousand and \$47,069 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2022 and 2021, respectively.

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

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

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress at Cantonal Court of Zug in Switzerland.
- (e) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of December 31, 2022, the monies incurred from the agreement in dispute in the amount of \$21,456 thousand euros have been deposited into the escrow account by Janssen.
- (f) With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative action for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case was further remanded to Taiwan High Court, which ruled that the agreement between the Company and CLI for the development of the Risperidone drug did not exist. CLI has filed an appeal to the Supreme Court on December 21, 2022, and the case will be transferred to the Supreme Court for trial.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. The case is still in progress at Labor Court Dresden of Germany.
- (h) On May 14, 2021, the Company was penalized by the Fair Trade Commission for concerted action due to the agreement it entered with Lotus Pharmaceutical Co., Ltd. on February 4, 2009 regarding the exclusive right to sell "Furil Capsules". On July 12, 2021, the Company filed a complaint with the Taipei High Administrative Court to revoke the above penalty. The case was still in progress by the Taipei High Administrative Court.

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on the Group significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the years ended December 31, 2022:

(i) Loans to other parties:

(In Thousands)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	76,775 USD 2,500	- USD -	- USD -	-	2	-	Operating capital	-	-	-	84,753 CNY 19,227	84,753 CNY 19,227

The exchange rate of USD to NTD as of the reporting date is 1:30.7100.

The exchange rate of CNY to NTD as of the reporting date is 1:4.4080.

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

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

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

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

Note 4): The highest balance of financing to other parties as of December 31, 2022.

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No. (Note1)	Name of guarantor	Party being endorsed/guaranteed		Limitation on amount of guarantees and endorsements for a specific enterprise (Note3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note2)										
0	The Company	Chuang Yi Biotech Co., Ltd.	2	1,131,685	50,000	50,000	50,000	-	0.88%	2,829,212	Y	N	N

Note1: The numbering is as follows:

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

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

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

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

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

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

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

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

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	ExoOne Bio. Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income – non-current	700	14,562	7.78%	14,562	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income – current	1,315	51,811	0.81%	51,811	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income – non-current	2,500	143,750	0.38%	143,750	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,680	0.20%	20,680	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	58	3,194	0.02%	3,194	
"	CellMax Ltd. Common Stock	-	"	1,593	11,376	- %	11,376	

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

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

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

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

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

(In Thousands of New Taiwan Dollar)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chuang Yi Biotech Co., Ltd.	The subsidiary	Sale	(134,558)	(3.10)%	90 days T/T	Normal	-	32,704	3.06%	
Chuang Yi Biotech Co., Ltd.	The Company	The parent company	Purchase	134,558	82.30%	90 days T/T	Normal	No difference with other vendors	32,204	(79.46)%	

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

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

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

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco International Co., Ltd.	1	Royalty revenue	46,600	By contract	0.92%
0	"	"	1	Accounts receivable	1,768	"	0.02%
0	"	TSH Biopharm Co., Ltd.	1	Accounts receivable	7,245	"	0.08%
0	"	"	1	Other receivables	2,185	"	0.02%
0	"	"	1	Sales revenue	79,722	"	1.58%
0	"	"	1	Other income	4,605	"	0.09%
0	"	"	1	Other gains and losses	5,577	"	0.11%
0	"	"	1	Selling expense	1,923	"	0.04%
0	"	American Taiwan Biopharma Phils Inc.	1	Other receivables	5,589	"	0.06%
0	"	"	1	Accounts receivable	3,187	"	0.03%

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## TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	American Taiwan Biopharma Phils Inc.	1	Sale revenue	3,898	By contract	0.08%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	32,704	"	0.34%
0	"	"	1	Sales revenue	134,558	"	2.66%
0	"	"	1	Other gains and losses	7,574	"	0.15%
0	"	TTY Biopharm Mexico S.A. de C.V.	1	Sales revenue	1,112	"	0.02%

Note 1): The numbering is as follows:

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

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

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

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

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00%	1,393,409	1,545	1,545	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	211,882	4,084	4,084	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00%	(3,606)	(1,635)	(1,422)	Subsidiary

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**TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES**  
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	596,886	62,055 (Note)	35,087	Subsidiary
The Company	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83%	16,185	(40,251)	(8,384)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	250,951	16,646	49.05%	24,979	4,253	2,085	Subsidiary
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Turkey	Selling chemical medicine	13,863	13,863	240	100.00%	10,712	(393)	(393)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.00%	861,252	318,783	57,400	Investments accounted for using equity method
The Company	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	352,931	96,750	38,700	Investments accounted for using equity method
The Company	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	87,224	50,712	20,284	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17%	34,154	(40,251)	(11,741)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00%	4,314	(7,611)	(7,611)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	10,318	(9,348)	(4,674)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	10,318	(9,348)	(4,674)	Subsidiary
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00%	1,420	(456)	(456)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89%	6,168	4,253	165	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00%	2,399	(205)	(205)	Subsidiary

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

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

(c) Information on investment in Mainland China:

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

(In Thousands)

Name of investee	Main businesses and products	Total amount of paid-in capital		Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
						Outflow	Inflow							
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	52,455		(2)	88,733	-	-	88,733	524	100%	100%	524		-
		CNY 11,900			CNY 20,130			CNY 20,130	CNY 119			CNY 119	CNY 11,432	
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	15,355		(2)	15,355	-	-	15,355	(174)	100%	100%	(174)	2,363	-
		USD 500			USD 500			USD 500	CNY (39)			CNY (39)	CNY 536	

The exchange rate of USD to NTD as of the reporting date was 1:31.7100, and the average exchange rate of USD to NTD for the reporting period was 1:29.7617.

The exchange rate of CNY to NTD as of the reporting date was 1:4.4080, and the average exchange rate of CNY to NTD for the reporting period was 1:4.4162.

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

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

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

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022		Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment	
NTD	104,088	NTD	1,450,372	NTD	3,395,054
		(USD	47,228	)	

(iii) Significant transactions: None

(d) Major shareholders:

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

**(14) Segment information:**

(a) General information

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

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

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

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

For the year ended December 31, 2022	Oncology Business Unit	Health Care Unit	Anti-Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	\$ 2,969,561	178,833	1,167,857	462,454	-	282,901	-	5,061,606
Intersegment revenues	132,111	53,256	81,331	1,923	-	48	(268,669)	-
Interest revenue	1,182	-	-	3,225	597	26,179	(9)	31,174
<b>Total revenue</b>	<b>\$ 3,102,854</b>	<b>232,089</b>	<b>1,249,188</b>	<b>467,602</b>	<b>597</b>	<b>309,128</b>	<b>(268,678)</b>	<b>5,092,780</b>
Interest expense	\$ 22,491	-	-	29	-	672	(38)	23,154
Depreciation and amortization	164,211	601	501	10,895	737	20,648	(11,315)	186,278
Share of profit (loss) of associates and joint ventures accounted for using equity method	57,400	58,984	-	-	-	-	-	116,384
<b>Reportable segment profit or loss</b>	<b>\$ 912,134</b>	<b>123,609</b>	<b>330,914</b>	<b>77,153</b>	<b>4,549</b>	<b>(23,737)</b>	<b>(16,283)</b>	<b>1,408,339</b>

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# TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

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For the year ended December 31, 2022	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Assets:								
Investments accounted for using equity method	\$ 861,252	439,957	-	-	-	-	-	1,301,209
Reportable segment assets	<u>\$ 7,959,725</u>	<u>463,955</u>	<u>430,381</u>	<u>1,147,333</u>	<u>214,897</u>	<u>1,815,314</u>	<u>(2,430,970)</u>	<u>9,600,635</u>
<b>For the year ended December 31, 2021</b>								
Revenue:								
Revenue from external customers	\$ 2,647,002	165,760	1,040,578	411,537	-	270,733	-	4,535,610
Intersegment revenues	121,824	55,720	95,238	1,946	-	(13)	(274,715)	-
Interest revenue	442	-	-	2,099	226	3,552	(10)	6,309
Total revenue	<u>\$ 2,769,268</u>	<u>221,480</u>	<u>1,135,816</u>	<u>415,582</u>	<u>226</u>	<u>274,272</u>	<u>(274,725)</u>	<u>4,541,919</u>
Interest expense	\$ 17,288	-	-	80	-	1,707	(90)	18,985
Depreciation and amortization	147,970	309	304	9,785	639	21,966	(13,692)	167,281
Share of profit (loss) of associates and joint ventures accounted for using equity method	76,250	58,934	-	-	-	-	-	135,184
Reportable segment profit or loss	<u>\$ 595,828</u>	<u>118,215</u>	<u>380,370</u>	<u>60,322</u>	<u>(8,344)</u>	<u>(76,684)</u>	<u>29,326</u>	<u>1,099,033</u>
Assets:								
Investments accounted for using equity method	\$ 873,363	359,660	-	-	-	-	-	1,233,023
Reportable segment assets	<u>\$ 7,535,847</u>	<u>460,004</u>	<u>509,320</u>	<u>1,160,857</u>	<u>239,828</u>	<u>1,782,187</u>	<u>(2,391,578)</u>	<u>9,296,465</u>

(c) Information

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

Product and Service	2022	2021
Medical and functional food	\$ 4,929,549	4,424,188
Service and royalty revenue	132,057	111,422
Total	<u>\$ 5,061,606</u>	<u>4,535,610</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 including property, plant and equipment, right-of-use asset, investment property, intangible assets, and guarantee deposits received, are based on the geographical location of the assets.

Region	2022	2021
Revenue from external customers:		
Taiwan	\$ 4,596,033	4,246,357
Others countries	465,573	289,253
Total	<u>\$ 5,061,606</u>	<u>4,535,610</u>

(Continued)

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

<b>Region</b>	<b>2022</b>	<b>2021</b>
Non-current assets:		
Taiwan	\$ 2,826,066	2,783,216
China	21,995	22,400
Others countries	229	203
Total	<b>\$ 2,848,290</b>	<b>2,805,819</b>

(e) Major customer

The Group' s did not have revenues from a single customer that exceeds 10% of the consolidated operating revenues in 2022 and 2021.



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

To the Board of Directors  
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, 2022 and 2021, 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 another auditor (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended 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 Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Other Matter

We did not audit the financial statements of PharmaEngine, Inc. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the report of another auditor. The investment in PharmaEngine, Inc. accounted for using the equity method constituted 9.72% and 10.27% of total assets as of December 31, 2022 and 2021, respectively, and the related share of profit of associates accounted for using the equity method constituted 4.20% and 7.05% of pre-tax net income for the years ended December 31, 2022 and 2021, respectively.

### 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. Occurrence of revenue from selling pharmaceuticals and chemical drugs

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

Key audit matters:

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

Auditing procedures performed:

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

## 2. Inventory valuation

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

Key audit matters:

The 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 large price fluctuation 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:

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

## **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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines it 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 (including the Audit Committee) 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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





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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 14, 2023

#### **Notes to Readers**

The accompanying financial statements are intended only to present the 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 auditor's audit 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 auditor's audit 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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%		
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(a)and (s))	\$ 299,611	4	261,301	3	2100	Short-term borrowings (notes 6(j)and (s))	\$ 1,350,000	15	1,650,000	19
1150	Notes receivable, net (notes 6(b)and (s))	18,559	-	18,530	-	2130	Contract liabilities-current(note 6(p))	28,229	-	40,099	-
1170	Accounts receivable, net (notes 6(b)and (s))	987,347	11	868,643	11	2150	Notes payable (note 6(s))	62,245	1	56,794	1
1180	Accounts receivable due from related parties, net (notes 6(b), (s)and 7)	61,576	1	142,853	2	2170	Accounts payable (note 6(s))	214,006	2	115,777	1
1200	Other receivables, net (notes 6(s)and 7)	23,913	-	20,134	-	2230	Current tax liabilities	141,341	2	143,290	2
130X	Inventories (note 6(c))	937,866	11	868,845	11	2200	Other payables (notes 6(q)and (s))	538,730	6	442,289	5
1410	Prepayments	32,733	-	23,208	-	2280	Current lease liabilities(note 6(s))	1,309	-	5,076	-
1470	Other current assets (note 6(i))	4,361	-	81	-	2300	Other current liabilities	21,305	-	14,447	-
		<u>2,365,966</u>	<u>27</u>	<u>2,203,595</u>	<u>27</u>	2320	Long-term liabilities, current portion (notes 6(k)and (s))	<u>400,000</u>	<u>5</u>	<u>400,000</u>	<u>5</u>
								<u>2,757,165</u>	<u>31</u>	<u>2,867,772</u>	<u>33</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(d) and (s))	14,562	-	-	-	2570	Deferred tax liabilities (note 6(m))	305,443	4	260,519	3
1550	Investments accounted for using equity method, net (note 6(e))	3,555,460	40	3,352,240	39	2580	Non-current lease liabilities (note 6(s))	467	-	8,992	-
1600	Property, plant and equipment (note 6(f))	2,399,332	27	2,471,519	29	2640	Net defined benefit liability, non-current (note 6(l))	40,814	-	52,597	1
1755	Right-of-use assets	1,768	-	14,001	-	2645	Guarantee deposits received(notes 6(s)and 7)	3,149	-	3,637	-
1760	Investment property, net(note 6(g))	112,633	1	113,396	1	2650	Credit balance of investments accounted for using equity method (note 6(e))	3,606	-	1,300	-
1780	Intangible assets (note 6(h))	163,549	2	39,781	-	2670	Other non-current liabilities (note 6(s))	88,600	1	143,800	2
1840	Deferred tax assets(note 6(m))	44,914	1	45,005	1			<u>442,079</u>	<u>5</u>	<u>470,845</u>	<u>6</u>
1915	Prepayments for business facilities	5,667	-	6,894	-			<u>3,199,244</u>	<u>36</u>	<u>3,338,617</u>	<u>39</u>
1920	Refundable deposits paid(note 6(s))	25,453	-	29,366	-	<b>Total liabilities</b>					
1984	Other non-current financial assets(notes 6(i), (s)and 8)	150,709	2	151,003	2	<b>Equity (note 6(n)):</b>					
1990	Other non-current assets (note 6(i))	17,655	-	79,672	1	3100	Capital stock	2,486,500	28	2,486,500	29
		<u>6,491,702</u>	<u>73</u>	<u>6,302,877</u>	<u>73</u>	3200	Capital surplus (note 6(e))	312,180	4	311,876	4
						3310	Legal reserve	1,278,935	15	1,198,617	14
						3320	Special reserve	198,071	2	133,709	2
						3350	Unappropriated retained earnings	1,447,515	16	1,235,223	14
						3400	Other equity interest	(64,777)	(1)	(198,070)	(2)
								<u>5,658,424</u>	<u>64</u>	<u>5,167,855</u>	<u>61</u>
						<b>Total equity</b>					
						<b>Total liabilities and equity</b>		<u>\$ 8,857,668</u>	<u>100</u>	<u>8,506,472</u>	<u>100</u>

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, 2022 and 2021**

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

	2022		2021	
	Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(p)and 7)		\$ 4,492,904	100
5000	<b>Operating costs</b> (notes 6(c), (l)and 12)		1,867,348	42
	<b>Gross profit</b>		2,625,556	58
5910	Less:Unrealized profit (loss) from sales		18,253	-
5920	Add:Realized profit (loss) from sales		18,474	-
	<b>Gross profit, net</b>		2,625,777	58
6000	<b>Operating expenses (notes6 (i), (l)and 12):</b>			
6100	Selling expenses		817,520	18
6200	Administrative expenses (note 6(q))		310,945	7
6300	Research and development expenses		307,611	7
6450	Expected credit losses (note 6(b))		230	-
			1,436,306	32
	<b>Net operating income</b>		1,189,471	26
	<b>Non-operating income and losses (notes 6(r)and 7):</b>			
7100	Interest income		1,182	-
7010	Other income		14,370	-
7020	Other gains and losses, net		35,430	1
7050	Finance costs, net		(22,491)	-
7070	Share of profit of subsidiaries and associates accounted for using equity method, net (note 6(e))		148,986	3
			177,477	4
	<b>Profit before tax</b>		1,366,948	30
7950	Less: Income tax expenses (note 6(m)):		272,557	6
	<b>Profit for the period</b>		1,094,391	24
8300	<b>Other comprehensive income:</b>			
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>			
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(l))		8,530	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income		4,062	-
8330	Share of other comprehensive loss of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(4,183)	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss		-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		8,409	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>			
8361	Exchange differences on translation		166,734	4
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		31	-
8399	Income tax related to components of other comprehensive (loss) income that may be reclassified to profit or loss		(33,351)	(1)
	Components of other comprehensive income (loss) that may be reclassified to profit or loss		133,414	3
8300	<b>Other comprehensive income (loss) for the period, net of tax</b>		141,823	3
	<b>Total comprehensive income for the period</b>		<b>\$ 1,236,214</b>	<b>27</b>
	<b>Earnings per share, net of tax (note 6(o))</b>			
	Basic earnings per share		<b>\$ 4.40</b>	<b>3.35</b>
	Diluted earnings per share		<b>\$ 4.40</b>	<b>3.34</b>

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, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollar)**

	Share capital		Retained earnings			Total other equity interest			Total equity
	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	Total other equity interest	
<b>Balance on January 1, 2021</b>	\$ 2,486,500	337,997	1,093,808	110,154	1,555,016	(146,611)	12,902	(133,709)	5,449,766
Net income	-	-	-	-	831,894	-	-	-	831,894
Other comprehensive income	-	-	-	-	(10,809)	(70,162)	(5,802)	(75,964)	(86,773)
Total comprehensive income	-	-	-	-	821,085	(70,162)	(5,802)	(75,964)	745,121
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	104,809	-	(104,809)	-	-	-	-
Special reserve appropriated	-	-	-	23,555	(23,555)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(994,600)	-	-	-	(994,600)
Other changes in capital surplus:									
Changes in equity of investments accounted for using equity method	-	(13,893)	-	-	-	-	-	-	(13,893)
Other changes in capital surplus	-	710	-	-	-	-	-	-	710
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	-	(13,155)	-	-	(6,311)	-	-	-	(19,466)
Changes in ownership interests in subsidiaries	-	217	-	-	-	-	-	-	217
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(11,603)	-	11,603	11,603	-
Balance on December 31, 2021	2,486,500	311,876	1,198,617	133,709	1,235,223	(216,773)	18,703	(198,070)	5,167,855
Net income	-	-	-	-	1,094,391	-	-	-	1,094,391
Other comprehensive income	-	-	-	-	8,530	133,414	(121)	133,293	141,823
Total comprehensive income	-	-	-	-	1,102,921	133,414	(121)	133,293	1,236,214
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	80,318	-	(80,318)	-	-	-	-
Special reserve appropriated	-	-	-	64,362	(64,362)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(745,949)	-	-	-	(745,949)
Other changes in capital surplus:									
Changes in equity of investments accounted for using equity method	-	66	-	-	-	-	-	-	66
Other changes in capital surplus	-	93	-	-	-	-	-	-	93
Changes in ownership interests in subsidiaries	-	145	-	-	-	-	-	-	145
<b>Balance on December 31, 2022</b>	\$ 2,486,500	312,180	1,278,935	198,071	1,447,515	(83,359)	18,582	(64,777)	5,658,424

See accompanying notes to financial statements.

## TTY BIOPHARM COMPANY LIMITED

## Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,366,948	1,082,219
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	152,125	140,926
Amortization expense	13,188	7,657
Expected credit losses	230	12,024
Interest expense	22,491	17,288
Interest income	(1,182)	(442)
Share of profit of investments accounted for using the equity method	(148,986)	(119,554)
Losses on disposal of property, plant and equipment	3,225	108
Impairment loss on non-financial assets	734	-
Unrealized profit from sales	18,253	18,474
Realized profit from sales	(18,474)	(23,316)
Others	(6,475)	(13,415)
<b>Total adjustments to reconcile profit (loss)</b>	<b>35,129</b>	<b>39,750</b>
<b>Changes in operating assets and liabilities:</b>		
Notes receivable	(29)	(878)
Accounts receivable	(37,657)	(158,641)
Other receivable	(3,779)	1,330
Inventories	(69,021)	147,463
Other current assets	(13,805)	5,315
<b>Total changes in operating assets</b>	<b>(124,291)</b>	<b>(5,411)</b>
Current contract liabilities	(11,870)	24,604
Notes payable	(49,749)	198,672
Accounts payable	98,229	(34,871)
Other payable	96,502	31,243
Other current liabilities	6,858	(2,208)
Net defined benefit liability	(3,253)	(3,712)
<b>Total changes in operating liabilities</b>	<b>136,717</b>	<b>213,728</b>
<b>Total changes in operating assets and liabilities</b>	<b>12,426</b>	<b>208,317</b>
<b>Total adjustments</b>	<b>47,555</b>	<b>248,067</b>
Cash inflow generated from operations	1,414,503	1,330,286
Interest received	1,182	442
Dividends received	117,419	112,197
Interest paid	(22,552)	(16,772)
Income taxes paid	(262,843)	(195,916)
<b>Net cash flows from operating activities</b>	<b>1,247,709</b>	<b>1,230,237</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(10,500)	-
Acquisition of investments accounted for using equity method	-	(13,863)
Acquisition of property, plant and equipment	(80,870)	(56,552)
Proceeds from disposal of property, plant and equipment	9,352	-
Decrease (increase) in refundable deposits paid	3,913	(9,670)
Acquisition of intangible assets	(28,980)	(12,847)
Decrease in other financial assets	294	190
Increase in prepayments for business facilities	(5,021)	(2,690)
Increase in other non-current assets	(45,959)	(68,736)
<b>Net cash flows used in investing activities</b>	<b>(157,771)</b>	<b>(164,168)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	10,870,000	5,400,000
Decrease in short-term loans	(11,170,000)	(5,400,000)
Proceeds from long-term borrowings	400,000	-
Repayments of long-term borrowings	(400,000)	-
(Decrease) increase in guarantee deposits received	(488)	78
Payment of lease liabilities	(5,293)	(5,544)
Cash dividends paid	(745,949)	(994,600)
Dividends unclaimed by shareholders	93	710
<b>Net cash flows used in financing activities</b>	<b>(1,051,637)</b>	<b>(999,356)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>9</b>	<b>(3)</b>
<b>Net increase in cash and cash equivalents</b>	<b>38,310</b>	<b>66,710</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>261,301</b>	<b>194,591</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 299,611</b>	<b>261,301</b>

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, 2022 and 2021**

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

**(1) Company history**

TTY Biopharm Company Limited (the “Company” ) was established on July 22, 1960. The Company’ s registered office address is 3F., No. 3-1, Park St., Nangang Dist., Taipei City 115, Taiwan. The main 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 14, 2023.

**(3) New standards, amendments and interpretations adopted:**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies:

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

###### (ii) Functional and presentation currency

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

##### (c) Foreign currencies

###### (i) Foreign currencies transactions

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

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss in current period. When the 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 is 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 is reclassified to profit or loss in current period.

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

(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 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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

(e) Cash and cash equivalents

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

(f) Financial instruments

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

#### 2) Fair value through other comprehensive income (FVOCI)

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

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

#### 3) Impairment of financial assets

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

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the 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. 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.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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 asset is credit-impaired includes the following observable data:

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

Impairment provision for financial assets measured at amortized cost are recognized in profit or loss and deducted from the carrying amount of the assets.

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

#### 4) Derecognition of financial assets

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

##### 3) Financial liabilities

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

##### 4) Derecognition of financial liabilities

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

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

##### 5) Offsetting of financial assets and liabilities

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

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their 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.

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

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

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

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

When the Company's share of losses of an associate equals or exceeds its interest in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or 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 property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation methods, useful lives, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(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.

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

#### (l) Leases

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

##### (i) As a lessee

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

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

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

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

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

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

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

(Continued)



## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

For lease modifications that decrease the scope of the lease, the Company decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes the difference between this amount and the remeasurement amount of the lease liability in profit or loss.

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

(ii) As a lessor

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

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

(m) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

#### (iii) Amortization

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

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

- |                            |             |
|----------------------------|-------------|
| 1) Patents and franchise   | 10-15 years |
| 2) Computer software cost  | 1-10 years  |
| 3) Other intangible assets | 5 years     |

Amortization methods, useful lives and residual values of intangible assets are reviewed at each reporting date and adjusted as necessary.

#### (n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(o) Provisions

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

(p) Revenue recognition

(i) 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 been 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.

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.

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(ii) Contract costs

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:

- a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- b) 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
- c) 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.

(q) Employee benefits

(i) Defined contribution plans

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(ii) Defined benefit plans

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

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

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

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

(iii) Other long-term employee benefits

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

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

(r) Income taxes

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

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

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

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

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

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
  - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
    - 1) the same taxable entity; or
    - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) 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 is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(t) Operating segments

Please refer to the consolidated financial statements of TTY Biopharm Company Limited for the years ended December 31, 2022 and 2021.

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

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

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

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

As inventories are stated at the lower of cost or net realizable value, the 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(c) for further description of the valuation of inventories.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 2,613	2,025
Cash in banks	296,998	259,276
	<b><u>\$ 299,611</u></b>	<b><u>261,301</u></b>

- (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 non-current financial assets.
- (iii) Please refer to Note 6(s) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivables	\$ 18,559	18,530
Accounts receivables	987,773	868,839
Accounts receivables – related parties	61,576	142,853
Less: allowance for expected credit losses	(426)	(196)
	<b>\$ 1,067,482</b>	<b>1,030,026</b>

The Company applies the simplified approach to evaluating its expected credit losses (ECLs), i.e., the Company recognizes the impairment provision for lifetime ECLs for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract, and forward-looking information has been incorporated. Analysis of the expected credit losses on note and accounts receivable is as follows:

<b>December 31, 2022</b>			
	<b>Face value of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 1,044,890	0%	-
1 to 90 day overdue	22,904	1.36%	312
Past due more than 181 days	114	100%	114
	<b>\$ 1,067,908</b>		<b>426</b>
<b>December 31, 2021</b>			
	<b>Face value of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Allowance for expected credit losses</b>
Not overdue	\$ 1,026,222	0%~1%	188
1 to 90 day overdue	3,563	0%~13%	8
Past due 91-180 days	437	0%~70%	-
	<b>\$ 1,030,222</b>		<b>196</b>

(Continued)



## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 196	20,784
Expected credit losses recognized	230	12,024
Amounts written off	-	(32,612)
Balance at December 31	<b>\$ 426</b>	<b>196</b>

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

(c) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Merchandise	\$ 166,760	203,927
Finished goods	162,492	193,618
Work in process	250,536	111,511
Raw materials	214,243	271,822
Materials	56,341	53,886
Subtotal	850,372	834,764
Goods in transit	175,806	110,806
Total	1,026,178	945,570
Less: allowance for inventory market decline and obsolescence	(88,312)	(76,725)
Net amount	<b>\$ 937,866</b>	<b>868,845</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Inventories have been sold	\$ 1,832,145	1,563,986
Costs of service	3,798	38,024
Write-down of inventories from cost to net realizable value and disposal of inventories	31,405	11,856
	<b>\$ 1,867,348</b>	<b>1,613,866</b>

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- (d) Financial asset measured at fair value through other comprehensive income – non-current

	December 31, 2022	December 31, 2021
The equity instrument measured at fair value through other comprehensive income:		
Domestic unlisted common stock – ExoOne Bio. Co., Ltd.	\$ 14,562	-

- (i) The Company holds such investment in the equity instrument as the long-term strategic investment that is not held for trading purposes; thus, it is categorized as the equity instrument measured at fair value through other comprehensive income.
- (ii) In April 2022, the Company participated in the capital increase of ExoOne Bio. Co., Ltd. with the amount of \$10,500 thousand and acquired 7.78% equity interests, consisting of 700 thousand common shares.
- (iii) Please refer to Note 6(s) for credit and market risk information.
- (iv) The above financial assets were not pledged as collateral.

- (e) Investments accounted for using equity method

The Company's financial information for equity-accounted investees at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 2,250,447	2,117,653
Associates	1,301,407	1,233,287
	\$ 3,551,854	3,350,940

- (i) Subsidiaries

Please refer to the consolidated financial report for the years ended December 31, 2022 and 2021.

- (ii) Associates

- 1) As of December 31, 2022 and 2021, the associate which the Company invested had a quoted market price was as follows:

	December 31, 2022	December 31, 2021
Carrying amount	\$ 861,252	873,627
Fair value	\$ 3,233,351	1,877,930

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- 2) For the years ended December 31, 2022 and 2021, as PharmaEngine, Inc. amortized the compensation cost of employee stock options, employee stock option expired, the compensation cost of amortized restricted stock awards, and purchased treasury stocks, the Company's equity has changed and its capital reserve was debit by \$66 thousand and \$13,893 thousand, respectively. For the years ended December 31, 2022 and 2021, the Company's shareholding ratio dropped from 18.01% to 18.00% and rose from 17.77% to 18.01%, respectively.

(iii) Associate that had materiality was as follows:

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

The following was the summary of financial information about the Company's significant associate. 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, 2022	December 31, 2021
Current assets	\$ 3,926,084	4,008,969
Non-current assets	40,458	17,374
Current liabilities	(78,737)	(87,705)
Non-current liabilities	(15,728)	-
Net assets	<b><u>\$ 3,872,077</u></b>	<b><u>3,938,638</u></b>
Net assets attributable to investee owners	<b><u>\$ 3,872,077</u></b>	<b><u>3,938,638</u></b>
	For the years ended December 31,	
	2022	2021
Revenue	<b><u>\$ 654,383</u></b>	<b><u>654,835</u></b>
Profit for the period	\$ 318,783	426,031
Other comprehensive loss	-	(1,213)
Comprehensive income	<b><u>\$ 318,783</u></b>	<b><u>424,818</u></b>
Comprehensive income attributable to investee owners	<b><u>\$ 318,783</u></b>	<b><u>424,818</u></b>

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**TTY BIOPHARM COMPANY LIMITED**  
**Notes to the Financial Statements**

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net assets attributable to the Company, January 1	\$ 709,349	712,779
Changes in capital surplus of affiliated companies	66	(13,893)
Comprehensive income attributable to the Company	57,400	76,030
Cash dividends received from associates	(69,841)	(65,567)
Net assets attributable to the Company, December 31	696,974	709,349
Add: goodwill	164,278	164,278
Carrying amount of interest in associates, December 31	<b>\$ 861,252</b>	<b>873,627</b>

(iv) Summary financial information on individually insignificant associates

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

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Carrying amount of interest in individually insignificant associates	<b>\$ 440,155</b>	<b>359,660</b>
	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Attributable to the Company:		
Profit for the period	\$ 58,984	58,934
Other comprehensive income (loss)	37,008	(35,197)
Comprehensive income	<b>\$ 95,992</b>	<b>23,737</b>

(v) Collateral

As of December 31, 2022 and 2021 the investments in the aforesaid equity-accounted investees were not pledged as collateral.

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**TTY BIOPHARM COMPANY LIMITED**  
**Notes to the Financial Statements**

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machiner y and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost:</b>								
Balance on January 1, 2022	\$ 897,051	1,405,851	782,224	5,601	521,080	21,500	95,000	3,728,307
Additions	-	18,002	13,974	-	24,939	3,710	20,245	80,870
Disposals	-	(7,141)	(19,587)	(516)	(3,043)	(7,451)	-	(37,738)
Reclassifications	-	1,191	43,050	-	(753)	920	(38,160)	6,248
Balance on December 31, 2022	<u>\$ 897,051</u>	<u>1,417,903</u>	<u>819,661</u>	<u>5,085</u>	<u>542,223</u>	<u>18,679</u>	<u>77,085</u>	<u>3,777,687</u>
Balance on January 1, 2021	\$ 897,051	1,282,507	698,131	5,601	490,292	11,092	323,327	3,708,001
Additions	-	3,890	11,469	-	26,967	10,236	600	53,162
Disposals	-	(25,546)	(1,518)	-	(6,563)	-	-	(33,627)
Reclassifications	-	145,000	74,142	-	10,384	172	(228,927)	771
Balance on December 31, 2021	<u>\$ 897,051</u>	<u>1,405,851</u>	<u>782,224</u>	<u>5,601</u>	<u>521,080</u>	<u>21,500</u>	<u>95,000</u>	<u>3,728,307</u>
<b>Depreciation and impairment:</b>								
Balance on January 1, 2022	\$ -	449,515	418,669	5,176	378,587	4,841	-	1,256,788
Depreciation for the year	-	63,434	46,151	398	30,932	5,079	-	145,994
Impairment loss	-	-	-	-	734	-	-	734
Disposals	-	(7,141)	(13,052)	(489)	(2,964)	(1,515)	-	(25,161)
Reclassifications	-	-	-	-	(184)	184	-	-
Balance on December 31, 2022	<u>\$ -</u>	<u>505,808</u>	<u>451,768</u>	<u>5,085</u>	<u>407,105</u>	<u>8,589</u>	<u>-</u>	<u>1,378,355</u>
Balance on January 1, 2021	\$ -	418,559	376,475	4,264	354,127	2,149	-	1,155,574
Depreciation for the year	-	56,502	43,712	912	30,915	2,692	-	134,733
Disposals	-	(25,546)	(1,518)	-	(6,455)	-	-	(33,519)
Balance on December 31, 2021	<u>\$ -</u>	<u>449,515</u>	<u>418,669</u>	<u>5,176</u>	<u>378,587</u>	<u>4,841</u>	<u>-</u>	<u>1,256,788</u>
<b>Carrying amounts:</b>								
Balance on December 31, 2022	<u>\$ 897,051</u>	<u>912,095</u>	<u>367,893</u>	<u>-</u>	<u>135,118</u>	<u>10,090</u>	<u>77,085</u>	<u>2,399,332</u>
Balance on January 1, 2021	<u>\$ 897,051</u>	<u>863,948</u>	<u>321,656</u>	<u>1,337</u>	<u>136,165</u>	<u>8,943</u>	<u>323,327</u>	<u>2,552,427</u>
Balance on December 31, 2021	<u>\$ 897,051</u>	<u>956,336</u>	<u>363,555</u>	<u>425</u>	<u>142,493</u>	<u>16,659</u>	<u>95,000</u>	<u>2,471,519</u>

(i) Collateral

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

(ii) Property, plant and equipment under construction

As of the reporting date, the Company's plant under construction has incurred expenditures amounting to \$77,085 thousand, and there were no capitalized loan cost for the years ended December 31, 2022 and 2021.

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**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(g) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance on January 1, 2022	\$ 99,769	29,188	128,957
Balance on December 31, 2022	<b>\$ 99,769</b>	<b>29,188</b>	<b>128,957</b>
Balance on January 1, 2021	\$ 99,769	29,188	128,957
Balance on December 31, 2021	<b>\$ 99,769</b>	<b>29,188</b>	<b>128,957</b>
<b>Depreciation and impairment loss:</b>			
Balance on January 1, 2022	\$ -	15,561	15,561
Depreciation	-	763	763
Balance on December 31, 2022	<b>\$ -</b>	<b>16,324</b>	<b>16,324</b>
Balance on January 1, 2021	\$ -	14,794	14,794
Depreciation	-	767	767
Balance on December 31, 2021	<b>\$ -</b>	<b>15,561</b>	<b>15,561</b>
<b>Carrying amount:</b>			
Balance on December 31, 2022	<b>\$ 99,769</b>	<b>12,864</b>	<b>112,633</b>
Balance on January 1, 2021	<b>\$ 99,769</b>	<b>14,394</b>	<b>114,163</b>
Balance on December 31, 2021	<b>\$ 99,769</b>	<b>13,627</b>	<b>113,396</b>
<b>Fair value:</b>			
Balance on December 31, 2022			<b>\$ 319,322</b>
Balance on December 31, 2021			<b>\$ 273,173</b>

- (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, 2022 and 2021, the Company's investment properties were not pledged as collateral.

(h) Intangible assets

The costs, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2022 and 2021, were as follows:

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Other Intangible assets</u>	<u>Total</u>
<b>Cost:</b>				
Balance on January 1, 2022	\$ 21,901	37,749	-	59,650
Additions	8,286	1,500	19,194	28,980
Disposals	(6,972)	-	-	(6,972)
Reclassifications	-	52,944	55,032	107,976
Balance on December 31, 2022	<b>\$ 23,215</b>	<b>92,193</b>	<b>74,226</b>	<b>189,634</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

	Computer software	Patent and franchise	Other Intangible assets	Total
Balance on January 1, 2021	\$ 12,539	35,249	-	47,788
Additions	10,347	2,500	-	12,847
Disposals	(985)	-	-	(985)
Balance on December 31, 2021	<b><u>\$ 21,901</u></b>	<b><u>37,749</u></b>	<b><u>-</u></b>	<b><u>59,650</u></b>
Amortization and impairment loss:				
Balance on January 1, 2022	\$ 9,252	10,617	-	19,869
Amortization for the period	4,679	4,367	4,142	13,188
Disposals	(6,972)	-	-	(6,972)
Balance on December 31, 2022	<b><u>\$ 6,959</u></b>	<b><u>14,984</u></b>	<b><u>4,142</u></b>	<b><u>26,085</u></b>
Balance on January 1, 2021	\$ 6,173	7,024	-	13,197
Amortization for the period	4,064	3,593	-	7,657
Disposals	(985)	-	-	(985)
Balance on December 31, 2021	<b><u>\$ 9,252</u></b>	<b><u>10,617</u></b>	<b><u>-</u></b>	<b><u>19,869</u></b>
<b>Carrying amount:</b>				
Balance on December 31, 2022	<b><u>\$ 16,256</u></b>	<b><u>77,209</u></b>	<b><u>70,084</u></b>	<b><u>163,549</u></b>
Balance on January 1, 2021	<b><u>\$ 6,366</u></b>	<b><u>28,225</u></b>	<b><u>-</u></b>	<b><u>34,591</u></b>
Balance on December 31, 2021	<b><u>\$ 12,649</u></b>	<b><u>27,132</u></b>	<b><u>-</u></b>	<b><u>39,781</u></b>

(i) Amortization expenses

Amortization expenses of intangible assets for the years ended December 31, 2022 and 2021, were recorded in the following items in the statements of comprehensive income:

	For the years ended December 31	
	2022	2021
Operating costs	\$ 4,551	187
Operating expenses	8,637	7,470
	<b><u>\$ 13,188</u></b>	<b><u>7,657</u></b>

(ii) Collateral

As of December 31, 2022 and 2021, the aforementioned intangible assets were not pledged as collateral.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**  
**Notes to the Financial Statements**

(i) Other financial assets and other assets

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other non-current financial assets	\$ 150,709	151,003
Long-term prepayments	10,840	79,672
Others	4,361	81
Other non-current assets	6,815	-
	<b><u>\$ 172,725</u></b>	<b><u>230,756</u></b>

- (i) Other non-current financial assets were bank deposits that did not qualify as cash and cash equivalents.
- (ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use. Please refer to Note 9 for the relevant unrecognized contractual commitments.
- (iii) Please refer to Note 8 for the Company' s information on collateral.

(j) Short-term loans

The short-term loans were summarized as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unsecured bank loans	<b><u>\$ 1,350,000</u></b>	<b><u>1,650,000</u></b>
Unused credit lines	<b><u>\$ 1,689,068</u></b>	<b><u>1,176,395</u></b>
Range of interests rates	<b><u>1.28%~1.79%</u></b>	<b><u>0.72%~0.80%</u></b>

Please refer to Note 6(s) for the exposure information of the Company' s interest rate and liquidity risk.

(k) Long-term loans

The long-term loans were summarized as follows:

	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
Unsecured bank loans	NTD	1.8488%	2023	\$ 400,000
Less: current portion				(400,000)
Total				<b><u>\$ -</u></b>
Unused credit lines				<b><u>\$ 300,000</u></b>

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

	December 31, 2021			
	Currency	Interest rate	Maturity	Amount
Unsecured bank loans	NTD	0.991%	2022	\$ 400,000
Less: current portion				(400,000)
Total				\$ -
Unused credit lines				\$ 200,000

Please refer to Note 6(s) for the exposure information of the Company' s interest rate and liquidity risk.

(l) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 80,573	96,593
Fair value of plan assets	(39,759)	(43,996)
Net defined benefit liabilities	\$ 40,814	52,597

The Company' s employee benefit liabilities were as below:

	December 31, 2022	December 31, 2021
Vacation liability	\$ 7,138	7,138

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 Company' s Bank of Taiwan labor pension reserve account balance amounted to \$39,759 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Defined benefit obligation, January 1	\$ 96,593	105,341
Current service costs and interest	729	823
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial gain arising from changes in demographic assumptions	-	3,780
— Actuarial loss arising from changes in financial assumptions	(5,886)	(346)
— Experience adjustment	1,345	8,119
Benefits paid	(12,208)	(21,124)
Defined benefit obligations, December 31	<b>\$ 80,573</b>	<b>96,593</b>

3) Movements in the fair value of defined benefit plan assets

The movements in the fair value of the plan assets for the Company were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets, January 1	\$ 43,996	59,841
Interest revenue	220	282
Remeasurement on the net defined liabilities (assets):		
— Return on plan assets excluding interest income	3,989	744
Contributions made	3,762	4,253
Benefits paid	(12,208)	(21,124)
Fair value of plan assets, December 31	<b>\$ 39,759</b>	<b>43,996</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2022 and 2021, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current service cost	\$ 251	338
Net interest of net liabilities (assets) for defined benefit obligation	258	203
	<b>\$ 509</b>	<b>541</b>
Operating costs	\$ 134	171
Selling expenses	115	139
Administrative expenses	135	131
Research and development expenses	125	100
	<b>\$ 509</b>	<b>541</b>

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, 2022 and 2021, were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Accumulated amount, January 1	\$ 11,190	381
Recognized during the year	(8,530)	10,809
Accumulated amount, December 31	<b>\$ 2,660</b>	<b>11,190</b>

6) Actuarial assumptions

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate	1.30%	0.51%
Future salary increase 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 \$3,688 thousand.

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

(Continued)

## 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:

	<b>Influences of defined benefit obligation</b>	
	<b>Increased</b>	<b>Decreased</b>
December 31, 2022		
Discount rate (Fluctuation of 0.25%)	\$ (1,498)	1,540
Future salary increasing rate (Fluctuation of 0.25%)	1,312	(1,285)
December 31, 2021		
Discount rate (Fluctuation of 0.25%)	\$ (1,923)	1,983
Future salary increasing rate (Fluctuation of 0.25%)	1,691	(1,652)

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 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under 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 \$32,953 thousand and \$32,581 thousand for the years ended December 31, 2022 and 2021, respectively.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**  
**Notes to the Financial Statements**

(m) Income taxes

(i) Income tax expense

The components of income tax for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current tax expense		
Current period	\$ 259,790	249,963
Adjustment for prior periods	1,103	(4,806)
	<u>260,893</u>	<u>245,157</u>
Deferred tax expense		
Origination and reversal of temporary differences	11,664	5,168
Income tax expense	<u><b>\$ 272,557</b></u>	<u><b>250,325</b></u>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021 was as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using equity method	<u><b>\$ (33,351)</b></u>	<u><b>17,540</b></u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2022 and 2021 is as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Profit before income tax	\$ 1,366,948	1,082,219
Income tax using the Company' s domestic tax rate	\$ 273,390	216,444
Share of profit of investments accounted for using equity method	(26,788)	(22,392)
Permanent difference	13,091	52,308
Change in provision in prior periods	1,103	(4,806)
Non-deductible expenses	5,243	2,309
Others	6,518	6,462
	<u><b>\$ 272,557</b></u>	<u><b>250,325</b></u>

(Continued)

## 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, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ (390,051)</u>	<u>(390,051)</u>
Unrecognized deferred tax liabilities	<u>\$ (78,010)</u>	<u>(78,010)</u>

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

	<b>Gain on foreign investments</b>	<b>Reserve for land revaluation increment tax</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax liabilities:</b>				
Balance on January 1, 2022	\$ 199,648	60,871	-	260,519
Recognized in profit or loss	9,551	-	2,022	11,573
Recognized in other comprehensive income	33,351	-	-	33,351
Balance on December 31, 2022	<u>\$ 242,550</u>	<u>60,871</u>	<u>2,022</u>	<u>305,443</u>
Balance on January 1, 2021	\$ 210,955	60,871	-	271,826
Recognized in profit or loss	6,233	-	-	6,233
Recognized in other comprehensive income	(17,540)	-	-	(17,540)
Balance on December 31, 2021	<u>\$ 199,648</u>	<u>60,871</u>	<u>-</u>	<u>260,519</u>

	<b>Defined benefit plan</b>	<b>Gain or loss on valuation of inventory</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax assets:</b>				
Balance on January 1, 2022	\$ 5,575	15,345	24,085	45,005
Recognized in profit or loss	(651)	2,317	(1,757)	(91)
Balance on December 31, 2022	<u>\$ 4,924</u>	<u>17,662</u>	<u>22,328</u>	<u>44,914</u>
Balance on January 1, 2021	\$ 6,317	14,429	23,194	43,940
Recognized in profit or loss	(742)	916	891	1,065
Balance on December 31, 2021	<u>\$ 5,575</u>	<u>15,345</u>	<u>24,085</u>	<u>45,005</u>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(iii) Assessment of tax

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

(n) Capital and other equity

As of December 31, 2022 and 2021, the authorized capital of the Company amounted to \$5,000,000, with a par value of \$10 per share, which consisted of 500,000 thousand shares of common stock. The paid-in capital was \$2,486,500, which consisted of 248,650 thousand shares. All issued shares were paid up upon issuance.

(i) Capital surplus

The ending balance of capital surplus were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Share capital	\$ 484	484
Long-term investment	310,893	310,682
Other	803	710
	<b><u>\$ 312,180</u></b>	<b><u>311,876</u></b>

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

(ii) Retained earnings

According to the Articles of Incorporation, the current year's earnings, if any, at the end of fiscal year, shall pay tax first and recover accumulated losses before contributing 10% for legal reserve. However, this shall not be applied if legal reserve hereto has already reached the amount of share capital. After residual amount from aforementioned calculation is added to unappropriated earnings from previous period, a contribution or reversal to special reserved shall then be conducted in accordance with regulations or competent authority's requirements.

At the end of each fiscal year, the Board of Directors will propose an earnings distribution based on considerations of the Company's profits, capital and financial structure, future business needs, accumulated earnings and legal reserve, market competition conditions as well as shareholders' interests. The proposal hereto shall be submitted to Annual General Meeting for resolution before being executed accordingly.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

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

1) Legal reserve

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

2) Special reserve

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

In accordance with 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 thousand and unrealized revaluation increments of \$27,725 thousand. When relevant assets are used, disposed or reclassified, the original proportion of the special reserve can be reversed to distribute surplus.

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

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

(Continued)



## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

#### 3) Earnings distribution

Earnings distribution for 2021 and 2020 was resolved in the general meeting of shareholders held on May 26, 2022 and August 25, 2021, respectively. The appropriation for dividends to ordinary shareholders is as follows :

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

#### (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	Total
Balance on January 1, 2022	\$ (216,773)	18,703	(198,070)
Exchange differences on foreign operations	9	-	9
Share of exchange differences of subsidiaries and associates accounted for using equity method	133,405	-	133,405
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	4,062	4,062
Unrealized losses from financial assets measured at fair value through other comprehensive income, subsidiaries and associates accounted for using equity method	-	(4,183)	(4,183)
Balance on December 31, 2022	\$ (83,359)	18,582	(64,777)
Balance on January 1, 2021	\$ (146,611)	12,902	(133,709)
Exchange differences on foreign operations	(3)	-	(3)
Share of exchange differences of subsidiaries and associates accounted for using equity method	(70,159)	-	(70,159)
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	11,603	11,603
Disposal of equity instruments measured at fair value through other comprehensive income reclassified to retained earnings	-	(5,802)	(5,802)
Balance on December 31, 2021	\$ (216,773)	18,703	(198,070)

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(o) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<b>\$ 1,094,391</b>	<b>831,894</b>
Weighted average number of ordinary shares	248,650	248,650
	<b>\$ 4.40</b>	<b>3.35</b>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted)	<b>\$ 1,094,391</b>	<b>831,894</b>
Weighted average number of ordinary shares	248,650	248,650
Effect of employees' compensation	356	409
Weighted average number of ordinary shares (diluted)	<b>249,006</b>	<b>249,059</b>
	<b>\$ 4.40</b>	<b>3.34</b>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the year ended December 31, 2022</b>			
	<b>Oncology Business Unit</b>	<b>Health Care Unit</b>	<b>Anti-Infection Business Unit</b>	<b>Total</b>
Primary geographical markets:				
Taiwan	\$ 2,504,843	232,089	1,249,188	3,986,120
Other countries	506,784	-	-	506,784
	<b>\$ 3,011,627</b>	<b>232,089</b>	<b>1,249,188</b>	<b>4,492,904</b>
Major products/services lines:				
Medicine and functional food	\$ 2,852,954	231,525	1,249,146	4,333,625
Services	26,973	564	42	27,579
Royalty	131,700	-	-	131,700
	<b>\$ 3,011,627</b>	<b>232,089</b>	<b>1,249,188</b>	<b>4,492,904</b>
	<b>For the year ended December 31, 2021</b>			
	<b>Oncology Business Unit</b>	<b>Health Care Unit</b>	<b>Anti-Infection Business Unit</b>	<b>Total</b>
Primary geographical markets:				
Taiwan	\$ 2,357,868	221,480	1,135,787	3,715,135
Other countries	323,411	-	90	323,501
	<b>\$ 2,681,279</b>	<b>221,480</b>	<b>1,135,877</b>	<b>4,038,636</b>
Major products/services lines:				
Medicine and functional food	\$ 2,519,641	221,480	1,135,807	3,876,928
Services	102,679	-	70	102,749
Royalty	58,959	-	-	58,959
	<b>\$ 2,681,279</b>	<b>221,480</b>	<b>1,135,877</b>	<b>4,038,636</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Contract liability	<b>\$ 28,229</b>	<b>40,099</b>	<b>15,495</b>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$16,367 thousand and \$12,013 thousand, respectively.

(q) Remunerations to employees and directors

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

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration at \$24,328 thousand and \$23,195 thousand, respectively, and directors' remuneration both at \$14,950 thousand. These amounts were calculated by using the Company's profit before tax for the period before deducting the amounts of the remuneration to employees and directors based on the Company's Articles of Incorporation, and the amount was recognized under operating expenses. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

(r) Non-operating income and expenses

(i) Interest income

The details of total interest income for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest income from bank deposits	<b>\$ 1,182</b>	<b>442</b>

(ii) Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Rent revenue	<b>\$ 14,370</b>	<b>16,930</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Losses on disposal of property, plant and equipment	\$ (3,225)	(108)
Foreign exchange income (losses)	6,697	(5,056)
Others	31,958	(165,772)
	<b>\$ 35,430</b>	<b>(170,936)</b>

(iv) Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest expense	\$ 22,316	17,062
Other finance costs	175	226
	<b>\$ 22,491</b>	<b>17,288</b>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum amount exposed to credit risk. Such maximum credit exposure on December 31, 2022 and 2021, amounted to \$1,067,908 thousand and \$1,030,222 thousand, respectively.

2) Concentration 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 expected credit loss". Expected credit losses are always within the administrative personnel's expectations. As of December 31, 2022 and 2021, the accounts receivable from the Company's top ten customers represented 16% and 24%, respectively, of accounts receivable.

3) Credit risk of receivables

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

Other financial assets measured at amortized cost include other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. With regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(f). As of December 31, 2022 and 2021, the Company did not recognize any allowance on the aforesaid financial assets since they were not past due.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Bank loans	\$ 1,750,000	1,759,343	1,759,343	-	-
Non-interest-bearing liabilities (including related parties)	903,581	903,581	814,981	88,600	-
lease liabilities	1,776	1,793	1,321	472	-
Guarantee deposits received	3,149	3,149	3,149	-	-
	<b><u>\$ 2,658,506</u></b>	<b><u>2,667,866</u></b>	<b><u>2,578,794</u></b>	<b><u>89,072</u></b>	<b><u>-</u></b>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Bank loans	\$ 2,050,000	2,053,673	2,053,673	-	-
Non-interest-bearing liabilities (including related parties)	758,660	758,660	614,860	110,400	33,400
lease liabilities	14,068	14,399	5,222	5,616	3,561
Guarantee deposits received	3,637	3,637	3,637	-	-
	<b><u>\$ 2,826,365</u></b>	<b><u>2,830,369</u></b>	<b><u>2,677,392</u></b>	<b><u>116,016</u></b>	<b><u>36,961</u></b>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	2,839	30.7100	87,188	3,069	27.6800
JPY		185,734	0.2324	43,165	128,475	0.2400
EUR		187	32.7200	6,122	32	31.3200
				996		

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Non-monetary items</u>						
USD	48,213	30.7100	1,480,633	47,800	27.6800	1,323,103
CNY	48,068	4.4080	211,882	46,759	4.3440	203,123
THB	394,733	0.8941	352,931	350,604	0.8350	292,649
TRY	6,528	1.6410	10,712	6,744	2.1560	14,539

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 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 strengthening (weakening) of 1% of the NTD against the USD, JPY and EUR as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$1,092 thousand and \$935 thousand, respectively. The analysis is performed on the same basis for both periods.

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, 2022 and 2021, the foreign exchange gains (loss), including both realized and unrealized, amounted to \$6,697 thousand and \$(5,056) thousand, respectively.

(iv) Interest rate analysis

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

The 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.

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

If the interest rate had increased/decreased by 0.25%, the Company's after-tax net income would have decreased/increased by \$1,084 thousand and \$811 thousand for the years ended December 31, 2022 and 2021, respectively with all other variable factors remaining constant.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<b>Security Price at the reporting date</b>	<b>For the years ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Other Comprehensive income after tax</b>	<b>Profit or loss after tax</b>	<b>Other Comprehensive income after tax</b>	<b>Profit or loss after tax</b>
Increase by 10%	<b>\$ 1,456</b>	-	-	-
Decrease by 10%	<b>\$ (1,456)</b>	-	-	-

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

	<b>December 31, 2022</b>				
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets measured at fair value through other comprehensive income					
Domestic unlisted stock	\$ 14,562	-	-	14,562	14,562
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 299,611	-	-	-	-
Notes and accounts receivable (including related parties)	1,067,482	-	-	-	-
Other receivables (including related parties)	23,913	-	-	-	-
Other financial assets	150,709	-	-	-	-
Refundable deposits paid	25,453	-	-	-	-
	1,567,168	-	-	-	-
Total	<b>\$ 1,581,730</b>	-	-	<b>14,562</b>	<b>14,562</b>

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

		December 31, 2022				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3		
Financial liabilities measured at amortized cost						
Bank loans	\$ 1,750,000	-	-	-	-	
Notes and accounts payable (including related parties)	276,251	-	-	-	-	
Other payables (including related parties)	538,730	-	-	-	-	
Lease liabilities	1,776	-	-	-	-	
Guarantee deposit received	3,149	-	-	-	-	
Other non-current liabilities	88,600	-	-	-	-	
Total	<b>\$ 2,658,506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
		December 31, 2021				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3		
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 261,301	-	-	-	-	
Notes and accounts receivable (including related parties)	1,030,026	-	-	-	-	
Other receivables (including related parties)	20,134	-	-	-	-	
Other financial assets	151,003	-	-	-	-	
Refundable deposits paid	29,366	-	-	-	-	
Total	<b>\$ 1,491,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Financial liabilities measured at amortized cost						
Bank loans	\$ 2,050,000	-	-	-	-	
Notes and accounts payable (including related parties)	172,571	-	-	-	-	
Other payables (including related parties)	442,289	-	-	-	-	
Lease liabilities	14,068	-	-	-	-	
Guarantee deposit received	3,637	-	-	-	-	
Other non-current liabilities	143,800	-	-	-	-	
Total	<b>\$ 2,826,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

2) Fair value hierarchy

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

(Continued)



## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

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

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

- 4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

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

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

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the years ended December 31, 2022 and 2021, so there was no transfer between levels.

6) Reconciliation of level 3 fair values:

	<b>Fair value through other comprehensive income</b>
	<b>Equity instruments without quoted price</b>
<b>Balance as of January 1, 2022</b>	\$ -
Additions	10,500
Recognized in other comprehensive income	4,062
<b>Balance as of December 31, 2022</b>	<b>\$ 14,562</b>
<b>Balance as of January 1, 2021</b>	<b>\$ -</b>
<b>Balance as of December 31, 2021</b>	<b>\$ -</b>

7) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets at fair value through other comprehensive income - equity investments.

The significant unobservable inputs of the equity investments without an active market are individually, and there is no correlation between them.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable companies method	• Discount for lack of market liquidity (December 31, 2022 the rate was 27.30%)	• The higher the discount for lack of market liquidity, the lower the fair value

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

The Company's measurement on the fair value of financial instruments is deemed reasonable. However, use of different valuation models or assumptions may lead to different results. The following is the effect on other comprehensive income from financial assets categorized within Level 3 if the inputs used in valuation models have changed:

<u>December 31, 2022</u>	<u>Input</u>	<u>Change</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	\$ 200	(200)

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

- (t) Financial risk management

- (i) Overview

The Company has exposed to the following risks from its financial instruments:

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

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

(ii) 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.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(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 security investments.

1) Accounts receivable and other receivables

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

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

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

#### 2) Investment

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

#### 3) Guarantees

The Company's policy stipulates that financial guarantees can only be provided to controlled subsidiaries. Furthermore, the Company did not provide any endorsement guarantee to external parties as of December 31, 2022 and 2021.

#### (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 manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as changes in foreign exchange rates, interest rates, and equity instrument 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.

#### (u) Capital management

The Company's objectives in capital management are to safeguard the capacity to continue as a going concern, to continue to provide returns to shareholders and benefits to 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 dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

The Company's debt-to-equity ratio at the end of the reporting date was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 3,199,244	3,338,617
Less: cash and cash equivalents	(299,611)	(261,301)
Net debt	2,899,633	3,077,316
Total capital	5,658,424	5,167,855
Adjusted capital	<b>\$ 8,558,057</b>	<b>8,245,171</b>
Debt to equity ratio	<b>33.88%</b>	<b>37.32%</b>

#### (7) Related-party transactions:

##### (a) Names and relationship with related parties

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

<b>Name of related party</b>	<b>Relationship with the Company</b>
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
Chuang Yi Biotech Co., Ltd.	A subsidiary
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	A subsidiary (Note)
TTY Biopharm Mexico S.A. de C.V.	A subsidiary
American Taiwan Biopharm (Thailand)	An associate
PharmaEngine, Inc.	An associate

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

##### (b) Significant transactions with related parties

###### (i) Operating revenue

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 219,290	220,686
Associates	95,343	83,046
	<b>\$ 314,633</b>	<b>303,732</b>

(Continued)

## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- 1) Prices charged for sales transactions with overseas 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.

(ii) Service revenue

<b>Recognized item</b>	<b>Category</b>	<b>For the years ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
Service revenue	Subsidiaries	\$ 808	3,976
	Associates	13	9
		<b>\$ 821</b>	<b>3,985</b>

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

<b>Recognized item</b>	<b>Category</b>	<b>For the years ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
Royalty revenue	Subsidiary-Worldco International Co., Ltd.	<b>\$ 46,600</b>	<b>48,181</b>

(iv) Rent revenue

<b>Recognized item</b>	<b>Category</b>	<b>For the years ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
Rent revenue	Subsidiary-TSH Biopharm Co., Ltd.	\$ 4,605	4,431
	Subsidiary-Chuang Yi Biotech Co., Ltd.	232	2,757
	Subsidiaries	180	180
		<b>\$ 5,017</b>	<b>7,368</b>

Rent was based on recent market transactions on arm's-length terms.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(v) Other gains

<u>Recognized item</u>	<u>Category</u>	<u>For the years ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
Other gains	Subsidiary-TSH Biopharm Co., Ltd.	\$ 5,577	5,514
	Subsidiary-Chuang Yi Biotech Co., Ltd.	7,574	13,446
	Subsidiaries	543	664
	Associate-American Taiwan Biopharm (Thailand)	12,430	11,892
		<u>\$ 26,124</u>	<u>31,516</u>

- 1) The other gains 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 the gains from development in the pharmaceutical industry or registration of pharmaceutical products is three months.

(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2022</u>	<u>2021</u>
Accounts receivable	Subsidiaries	\$ 45,150	119,917
	Associates	16,426	22,936
		<u>\$ 61,576</u>	<u>142,853</u>
Other receivables	Subsidiary-American Taiwan Biopharma Phils Inc.	\$ 5,589	6,922
	Subsidiary-TSH Biopharm Co., Ltd.	2,185	2,684
	Subsidiaries	130	121
	Associate-American Taiwan Biopharm (Thailand)	3,669	2,971
		<u>\$ 11,573</u>	<u>12,698</u>

(Continued)



## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

Recognized item	Category	December 31, 2022	December 31, 2021
Guarantee deposit received	Subsidiary-TSH Biopharm Co., Ltd.	\$ 766	766
	Subsidiary-Chuang Yi Biotech Co., Ltd.	39	527
	Subsidiaries	30	30
		<u>\$ 835</u>	<u>1,323</u>

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

(d) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 50,966	59,867
Post-employment benefits	324	526
	<u>\$ 51,290</u>	<u>60,393</u>

(8) Pledged assets:

As of December 31, 2022 and 2021, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2022	December 31, 2021
Other non-current financial asset	Guarantee for provision attachment	<u>\$ 149,380</u>	<u>149,380</u>

(9) Commitments and contingencies:

(a) The Company's unfinished contracts as of December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total price of unfinished contracts		
Purchase of equipment and construction engineering	<u>\$ 40,124</u>	<u>18,185</u>
Acquisition of intangible assets	<u>\$ 159,975</u>	<u>204,562</u>
Acquisition of raw material	<u>\$ 103,016</u>	<u>95,252</u>
Unpaid amount		
Purchase of equipment and construction engineering	<u>\$ 16,660</u>	<u>10,974</u>
Acquisition of intangible assets	<u>\$ 143,237</u>	<u>140,815</u>
Acquisition of raw material	<u>\$ 47,984</u>	<u>73,525</u>

(b) As of December 31, 2022 and 2021, the financial institutions provide guarantee for the import and sale of medicine amounted to \$60,933 thousand and \$153,605 thousand, respectively.

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	For the years ended December 31,					
		2022			2021		
		Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit							
Salary	\$	231,009	480,777	711,786	212,700	463,426	676,126
Health and labor insurance		21,522	37,303	58,825	20,731	37,528	58,259
Pension		11,747	21,715	33,462	11,213	21,909	33,122
Director' s remuneration		-	30,330	30,330	-	30,191	30,191
Others		6,788	49,631	56,419	2,006	50,551	52,557
Depreciation		117,388	34,737	152,125	104,315	36,611	140,926
Amortization		4,551	8,637	13,188	187	7,470	7,657

For the years ended December 31, 2022 and 2021, the information of the number of employees and employee benefit expense were as follows:

	For the years ended December 31,	
	2022	2021
Number of employees	<u>575</u>	<u>576</u>
Number of directors who were not employees	<u>8</u>	<u>8</u>
The average employee benefit	<u>\$ 1,518</u>	<u>1,444</u>
The average salaries and wages	<u>\$ 1,255</u>	<u>1,190</u>
Percentage of average employee salary expense	<u>5.46%</u>	<u>2.22%</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The Company' s salary and remuneration policy (including directors, managers and employees) are as follows:

The Company' s Articles of Incorporation stipulates that when directors perform their duties in the Company, remuneration shall be paid no matter whether the Company is in a loss or not. The remuneration of directors shall be determined by the participation and contribution of the directors and may be paid at such level as generally adopted by the enterprises of the same industry. The remuneration of independent directors of the Company is evaluated by the remuneration committee according to the Company' s "Director' s Remuneration Policy" and approved by the board of directors. Remuneration of general directors is paid in accordance with the Company' s Articles of Incorporation, and no more than 2% for directors' remuneration when there is profit for the year. The directors' remuneration is determined based on the "Rules and Procedures of Board of Directors and Functional Committee Performance Evaluation" to evaluate the overall performance of directors

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

and the board of directors. Items evaluated by the directors include, mastery of the Company goals and tasks, understanding of directors' responsibilities, participation in company operations, management and communication of internal relationship, professional and continuous education of directors, and internal control. The directors should also give remuneration in resonance with the Company's overall operating performance. Directors of the Company release remuneration based on the Company's operating performance, personal operating participation and evaluation, and the relevance of future risks, it then submit to the board of directors for approval after reviewing the Company's remuneration policy.

In accordance with the Company's Articles of Incorporation stipulate that if there is a profit in the current year, 0.5% to 10% shall be allocated as employee compensation. The Company's employee remuneration includes salaries and bonuses. Salary is based on the Company's "Salary Structure" with reference to peer industry standards and titles, academic (economic) qualifications, professional capabilities, and responsibilities; bonuses are based on employee's annual performance to evaluate, such as annual work goal achievement rate, core functional indicators (trust and results-oriented, integrity and teamwork, proactive and ambition, and customer-oriented) and management function indicators, etc. The Company has separately formulated a performance standard reward plan, hoping to encourage its employees to create greater operating benefits for the company.

- (b) The Company donated \$77,317 thousand and \$39,933 thousand to medical related foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the years ended December 31, 2022 and 2021, respectively.
- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the exchairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan Supreme Court. On December 23, 2021 the Supreme Court sent it back to the Taiwan High Court for remand. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called "Risperidone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29, 2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.

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## TTY BIOPHARM COMPANY LIMITED

### Notes to the Financial Statements

- (d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress at Cantonal Court of Zug in Switzerland.
- (e) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of December 31, 2022, the monies incurred from the agreement in dispute in the amount of \$21,456 thousand euros have been deposited into the escrow account by Janssen.
- (f) With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative action for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case was further remanded to Taiwan High Court, which ruled that the agreement between the Company and CLI for the development of the Risperidone drug did not exist. CLI has filed an appeal to the Supreme Court on December 21, 2022, and the case will be transferred to the Supreme Court for trial.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. The case is still in progress at Labor Court Dresden of Germany.
- (h) On May 14, 2021, the Company was penalized by the Fair Trade Commission for concerted action due to the agreement it entered with Lotus Pharmaceutical Co., Ltd. on February 4, 2009 regarding the exclusive right to sell "Furil Capsules". On July 12, 2021, the Company filed a complaint with the Taipei High Administrative Court to revoke the above penalty. The case is still in progress by the Taipei High Administrative Court.

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**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on the Company’s significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the year ended December 31, 2022:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	76,775	-	-	-	2	-	Operating capital	-	-	-	84,753	84,753
					USD 2,500	USD -	USD -								CNY 19,227	CNY 19,227

The exchange rate of USD to NTD as of the reporting date is 1:30.71.

The exchange rate of CNY to NTD as of the reporting date is 1:4.408.

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

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

Note2): The total amount for lending to a company shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in their latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

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

Note 4): The highest balance of financing to other parties as of December 31, 2022.

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Chuang Yi Biotech Co., Ltd.	2	1,131,685	50,000	50,000	50,000	-	0.88%	2,829,212	Y	N	N

Note1: The numbering is as follows:

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

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

1. An investee company that has a business relationship with the Company.
2. An investee in which the Company holds directly and indirectly over 50% of voting shares.
3. An investee in which the Company and its subsidiaries directly and indirectly hold over 50% of voting shares.
4. An investee in which the Company holds directly and indirectly over 90% of voting shares.

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

5. An investee that has provided guarantees to the Company, and vice versa, due to contractual requirements.
6. An investee in which the Company conjunctly invests with other shareholders, and for which the Company has provided endorsement/guarantee in proportion to its shareholding percentage.
7. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

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

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	ExoOne Bio. Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income – non-current	700	14,562	7.78%	14,562	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. Common Stock	-	Financial assets measured at fair value through other comprehensive income – current	1,315	51,811	0.81%	51,811	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income – non-current	2,500	143,750	0.38%	143,750	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,680	0.20%	20,680	
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	58	3,194	0.02%	3,194	
"	CellMax Ltd. Preferred Stock	-	"	1,593	11,376	- %	11,376	

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (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 Dollar)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chuang Yi Biotech Co., Ltd.	The subsidiary	Sale	(134,558)	(3.10)%	90 days T/T	Normal	-	32,704	3.06%	
Chuang Yi Biotech Co., Ltd.	The Company	The parent company	Purchase	134,558	82.30%	90 days T/T	Normal	No differ other vendors	(32,704)	(79.46)%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None
- (ix) Trading in derivative instruments: None

(Continued)



**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haiyu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00%	1,393,409	1,545	1,545	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00%	211,882	4,084	4,084	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00%	(3,606)	(1,635)	(1,422)	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48%	596,886	62,055	35,087	Subsidiary
The Company	Enhance Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83%	16,185	(40,251)	(8,384)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	250,951	16,646	49.05%	24,979	4,253	2,085	Subsidiary
The Company	TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi	Turkey	Selling chemical medicine	13,863	13,863	240	100.00%	10,712	(393)	(393)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.00%	861,252	318,783	57,400	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00%	352,931	96,750	38,700	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00%	87,224	50,712	20,284	Investments accounted for using equity method
Xudong Haiyu International Co., Ltd.	Enhance Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17%	34,154	(40,251)	(11,741)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00%	4,314	(7,611)	(7,611)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	10,318	(9,348)	(4,674)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00%	10,318	(9,348)	(4,674)	Subsidiary
Enhance Biopharm Inc.	Enhance Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00%	1,420	(456)	(456)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89%	6,168	4,253	165	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00%	2,399	(205)	(205)	Subsidiary

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

(Continued)

**TTY BIOPHARM COMPANY LIMITED**

**Notes to the Financial Statements**

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollar)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	52,455 CNY 11,900	(2)	88,733 CNY 20,130	-	-	88,733 CNY 20,130	524 CNY 119	100%	524 CNY 119	CNY 11,432	-
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	15,355 USD 500	(2)	15,355 USD 500	-	-	15,355 USD 500	(174) CNY (39)	100%	(174) CNY (39)	2,363 CNY 536	-

The exchange rate of USD to NTD as of the reporting date was 1:30.71, and the average exchange rate of USD to NTD as of the reporting period was 1:29.7617. The exchange rate of CNY to NTD as of the reporting date was 1:4.408, and the average exchange rate of CNY to NTD as of the reporting period is 1:4.4162.

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

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

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

(Continued)

**TTY BIOPHARM COMPANY LIMITED**  
**Notes to the Financial Statements**

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022		Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD	104,088	NTD 1,450,372 (USD 47,228 )	NTD 3,395,054

(iii) Significant transactions: None

(d) Major shareholders:

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

**(14) Segment information:**

Please refer to the consolidated financial report for the years ended December 31, 2022 and 2021.

## VII. Financial Analysis

### 1. Financial Analysis

Unit: NT\$ Thousand

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	4,749,403	5,035,372	285,969	6.02
Fixed assets	2,497,392	2,426,443	(70,949)	(2.84)
Other assets	106,043	83,156	(22,887)	(21.58)
Total assets	9,296,465	9,600,635	304,170	3.27
Current liabilities	3,051,579	2,917,428	(134,151)	(4.40)
Long-term liabilities	477,652	449,926	(27,726)	(5.80)
Total liability	3,529,231	3,367,354	(161,877)	(4.59)
Capital stock	2,486,500	2,486,500	—	—
Additional paid-in capital	311,876	312,180	304	0.10
Retained earnings	2,567,549	2,924,521	356,972	13.90
Total shareholder's equity	5,767,234	6,233,281	466,047	8.08

#### (1) Main Reasons for Critical Change:

- ① Decrease in Other Assets: This is mainly because recognition of income tax expense transferred from unrealized deferred tax assets in this period.

#### (2) Impact from Critical Change and Future Responding Plan: None

## 2. Financial Results Analysis

Unit: NT\$ Thousand

Item	Year	2021	2022	Increase (Decrease) Amount	Changes (%)
Operating Revenue		4,535,610	5,061,606	525,996	11.60
Operating cost		1,767,630	2,040,108	272,478	15.41
Add: Realized sales profit or loss		6,734	8,161	1,427	21.19
Less: Unrealized sales profit or loss		8,161	8,544	383	4.69
Gross profit		2,766,553	3,021,115	254,562	9.20
Operating expense		1,625,901	1,793,158	167,257	10.29
Net operating income		1,140,652	1,227,957	87,305	7.65
Non-Operating income and expense		(53,272)	180,382	233,654	(438.61)
Income from continuing operations before income taxes		1,087,380	1,408,339	320,959	29.52
Income tax expense		264,811	305,249	40,438	15.27
Net income from continuing operations		822,569	1,103,090	280,521	34.10
Cumulative Effect of Changes in Accounting Principle		—	—	—	—
Net income for division		—	—	—	—
Net income		822,569	1,103,090	280,521	34.10

### (1) Main Reasons for Critical Changes:

- ① Increase in Non-Operating income and expense: This is mainly because of the recognition of a penalty of NT\$ 220 million from Taiwan Fair Trade Commission in 2021.
- ② Increase in Tax expense: this is due mainly to an increase of net profit before tax in current period.

### (2) Expected Sales Volume and Expectation Basis:

For year 2023, the Company expects to sell oral drugs of 403.43 million tablets and 6.32 million vials. 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
2,222,253	1,235,759	1,100,688	2,357,324	—	—

#### (1) Analysis of Cash Flows in the Most Recent Year:

- ① Operational activities: Net inflow of NT\$ 1,235.759 million is mainly due to NT\$ 1,425.50 million cash inflows from operating activities generated in current period.
- ② Investment activities: Net outflow is NTD 133.136 million. This is mainly due to NT\$135.501 million cash outflow arising from purchase of property, plant and equipment for expanding capacity, and intangible asset.
- ③ Financial activities: Net outflow of NT\$ 967.552 million is mainly due to year 2021 cash dividend payment for NT\$ 771.015 million.

#### (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
2,357,324	1,261,103	1,377,868	2,240,559	—	—

- ① Expected Whole-Year Net Cash Flow from Operating Activities: NT\$ 1,261.103 million which is mainly due to profit generated from expected operating revenue growth for year 2023. As such, operating activity net cash inflow is positive.
- ② Expected Whole-Year Cash Outflow: NT\$ 1,377.868 million which is mainly due to cash dividend payment, increase in property, plant and equipment and intangible assets.

## 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	
				2022	2023
Upgrade of Injection facility in Zone B1, Plant Chungli	The Company's Own Capital and Bank Loan	2024	59,945	—	32,177
Improvement of Microsphere facility in Zone B3, Plant Lioudu	The Company's Own Capital and Bank Loan	2027	195,098	8,489	606

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 2022, 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) and TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi (Turkey 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 In year 2022, PharmaEngine, Inc. received sales milestone and royalties, generating net profit of NT\$ 318.783 million. With this, the Company recognized an investment income of NT\$ 57.40 million. EnhanX Biopharm Inc. suffered net loss of NT\$40.251 million because its products are still in the preliminary phase of development.
- 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 year 2022 was NT\$ 7.611 million, NT\$9.348 million and NT\$ 393 thousand respectively.
- ③ With respect to overseas channel strategic alliance, American Taiwan Biopharm Co., Ltd. is in a stable profitable pattern. The net income in year 2022 was NT\$ 96.75 million. For

American Taiwan Biopharma Philippines Inc., product items distributed still increased. The net loss in year 2022 was NT\$ 1.635 million.

### **(3) Next Year's Investment Plan:**

The Company will continue to prudently evaluate the investment target aimed at the long-term strategy.

## **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:

	YEAR 2022	
Item	Interest Income (Expenditure)	Exchange Profit (Loss)
Net Amount	8.020 million	23.813 million
Percentage of Net Revenue	0.16%	0.47%
Percentage of Pre-tax Net Profit	0.57%	1.69%

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: Finance Department constantly monitors the trend of foreign exchange, and estimates the foreign currencies position and demand for the next 3 months. If there is shortage for foreign currencies, finance department will propose price based on foreign exchange trend analysis from banks and directly purchase from market. Exchange gain for year 2022 accounts for 0.47% 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:**

- ① The Company is not engaged in high risk or highly leveraged investments.
- ② The Company does not lend capital to other parties.



- ③ The Company is engaged in endorsement in accordance with the Company's "Regulations for Endorsement & Guarantee", providing endorsement for its subsidiary – Chuang Yi Biotech Company Limited with NT 50 million as of end of 2022 and as of publication date of this annual report. This endorsement amount accounted for 0.92% and 0.88% of book share in the most recent periods. As such, the impact to the Company is literally minor.
- ④ According to the the Company's "Policies and Procedures for Financial Derivative Transactions", the Company shall generally only engage in transactions for hedging purposes. Transactions for other specific purposes shall be carefully assessed and shall be subject to approval by the board of directors prior to execution. The Company does not engage in financial derivative transaction as of publication date of this annual report.

### **(3) Future Research and Development Plans and Estimated Research and Development Expenses Required:**

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. The Company's R&D expense for year 2023 is expected to reach NT\$ 134.723 million for the purpose of expanding new indications for existing products, conducting clinical trials in overseas markets, and scaling up trials for new developed products.

### **(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 "Global budget payment system" was implemented in Taiwan, drug prices have been through numerous adjustments. Drug price and quantity from domestic drug companies have been under control through the Global budget payment system. This has impacted price and sales of some drugs as well as overseas price and has suppressed drug company's revenue and profit.

#### The responsive measures:

The Company regularly participates the Chinese Association for Pharmaceutical Agents (CAPA) & Taipei Pharmaceutical Agents and Distribution Association (TPADA) meetings, integrating the opinions from Taiwan Pharmaceutical Manufacturer's Association (TPMA) in order to take early action. 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 strategic cooperation, 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 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 adjustment in drug price.

## **(5) The Impact of Technology Changes (including Information Security Risk) and Industrial Changes on the Company's Finance and Business, and the Responsive Measures:**

- ① The launch of competitive products resulted in competition in price as well as market share. This may have impacts on business and finance for this Company.

### The responsive measures:

Real-Time monitoring of FDA/EM new drug launch information (e-newspaper subscription), Drug certificate system of Ministry of health and Welfare (checking food and drug administration system) and Health insurance meeting agenda (checking national health insurance website), preemptive drafting of new competing strategy for core product in response to competing product launch, defense on purchase of generic drug to mitigate impact on sales.

- ② Information security-related losses due to personal information leakage, malicious programs, computer viruses and hacker intrusions

### The responsive measures:

- Management
  - ✓ Information security management mechanism, system authority management
- Prevention
  - ✓ Firewall/Anti-ransomware/Antivirus/Endpointmanagement/Multi-factor authentication.
  - ✓ Regularly scan and detect vulnerabilities on the Company's internal key system hosts and repair the system, use the privileged account management system to avoid the account leakage of system administrator, and adopt anti-virus software and endpoint management to effectively control the devices distributed by the Company or the BYOD (bring your own device) (computer/mobile phone/tablet) to avoid the risk of internal connection access.
  - ✓ By adopting the verification mechanism of multi-factor authentication, it can effectively identify when employees access the Company's major systems from external connections, so as to prevent the breach risk of personal account password.
  - ✓ Establish an automatic backup and backup mechanism through the important host system environment and data, and regularly perform local and remote backup and restore drills to ensure that the system can be restored normally when an abnormality occurs.
- Training
  - ✓ Conduct internal training of information security and invite external consultants to hold seminar irregularly to build awareness of information security for employees.

## **(6) The Impact of Corporate Image Change on The Corporate Crisis Management, and The Responsive Measures :**

Emergent or external events caused damage of corporate image and reputation.

### The responsive measures:

The company actively strengthens and implements corporate governance, fulfills social responsibilities, and strives to improve its internal control system and capital structure to establish a good corporate image. In addition, an external public opinion monitoring system was introduced 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:**

There was only one supplier which accounted for over 10% of the total purchasing amount in the Company in year 2022, and the aforementioned supplier accounted for only 20.03% of the total purchasing amount of the Company. The aforementioned firm is well-known international firm in the world, and the possibility of risk is very low. In addition, the sales amount of the Company's single customer in year 2022 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 In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the exchairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered

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

- ② On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress at Cantonal Court of Zug in Switzerland.
- 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 monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of December 31, 2022, the monies incurred from the agreement in dispute in the amount of \$21,456 thousand euros have been deposited into the escrow account by Janssen.
- ④ With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative action for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case was further remanded to Taiwan High Court, which ruled that the agreement between the Company and CLI for the development of the Risperidone drug did not exist.

CLI has filed an appeal to the Supreme Court on December 21, 2022, and the case will be transferred to the Supreme Court for trial.

- ⑤ On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. The case is still in progress at Labor Court Dresden of Germany.
- ⑥ On May 14, 2021, the Company was penalized by the Fair Trade Commission for concerted action due to the agreement it entered with Lotus Pharmaceutical Co., Ltd. on February 4, 2009 regarding the exclusive right to sell "Furil Capsules". On July 12, 2021, the Company filed a complaint with the Taipei High Administrative Court to revoke the above penalty. The case is still in progress by the Taipei High Administrative 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:**

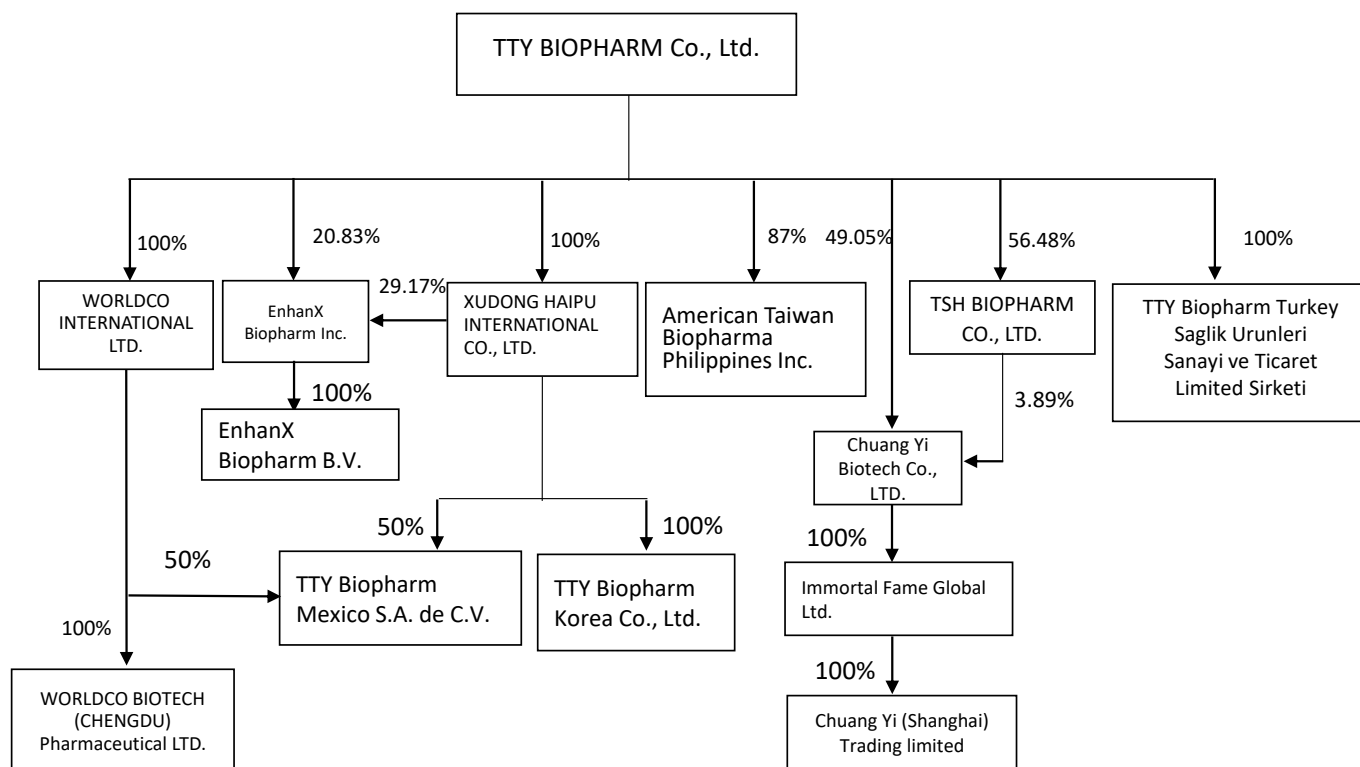
The Company established Risk Management Center on December 28, 2020 and stipulated "Risk Management Policy and Procedures" which specifically prescribes that the Company's "Risk Management Policy" has defined various risks and established management mechanisms for identification, assessment and handling of risks as well as for effective monitoring and review in order to evade or mitigate impact to the Company's operations from risk events while ensuring corporate sustainable development. For details of critical risks identified and managed by the Company, please visit "Corporate Governance /Operation Status for Corporate Governance" section on the Company's website.

## **7. Other Important Matters: None**

## VIII. Special Notes

### 1. Subsidiaries

#### (1) Subsidiaries Chart (12/31/2022)



#### (2) Affiliates

Unit: NT\$ Thousands as of Dec.31, 2022

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
Xudonghaiyu 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 B22, 9/F, Billion Plaza 2, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong	HKD 19,800	Investment, Drugs Marketing
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 1009 10 Floor One Corporate Center CU, Julia Vargas Corner Meralco Avenue, Ortigas Center, San Antonio, Pasig City, Philippines	PHP 55,305	Sales of Drugs

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
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 240,000	Drugs R&D
EnhanX Biopharm B.V.	2019.07	J.H. Oortweg 19 2f, Room 2213, 2333 CH Leiden, the Netherlands	EUR 100	Drugs R&D
Chuang Yi Biotech Co., Ltd.	2011.04	Room A, 4F, No. 3-1, Yuanqu St., Nangang District, Taipei City	NTD 339,356	Selling functional food
Immortal Fame Global Ltd.	2012.03	Level 2, Lotemau Centre, VAEA Street, APIA, SAMOA	USD 568	Import and export trading and investment activities
Chuang Yi (Shanghai) Trading Co., Ltd.	2012.03	Room 106, Building 3, No. 507, Huajing Road, Shanghai City, China	USD 500	Selling functional food
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 35,000	Sales of Drugs
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi.	2021.10	ESENTEPE MAHALLESİ BÜYÜKDERE CAD. KANYON Apt. NO: 185/271 SISLI/ISTANBUL 'dir.	USD 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 Affiliates

Unit: NT\$ Thousand as of Dec.31, 2022

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
Xudonghaipu International Company Limited	Chairman	Ying-Chun Hsiao	—	—
	Director	Wen-Hwa Chang	—	—
	Director	Hsiu-Chi Chang	—	—
	Director	Hsueh-Liu Wu	—	—
	Director	Tien-Szu Tseng	—	—
American Taiwan Biopharma Philippines Inc.	Chairman	Jui-Hsiung Cheng	71,881	13.00%
	Director	Ying-Chun Hsiao	—	—
	Director	Wen-Hwa Chang	—	—
	Director	Hsueh-Liu Wu	—	—
	Director	Chih-Meng Chang	—	—
Worldco International Limited	Chairman	Ying-Chun Hsiao	—	—
	Director	Wen-Hwa Chang	—	—
	Director	Hsiu-Chi Chang	—	—
	Director	Hsueh-Liu Wu	—	—
	Director	Tien-Szu Tseng	—	—
Worldco Biotech(Chengdu) Pharmaceutical Ltd.	Director	Ying-Chun Hsiao	—	—
	Supervisor	Hsueh-Liu Wu	—	—
EnhanX Biopharm Inc.	Chairman	TTY BioPharm Company Limited Representative: Yu-Fang Hu	5,000,000	20.83%
	Director	TTY BioPharm Company Limited Representative: Ying-Chun Hsiao	5,000,000	20.83%
	Director	Pieter Jaap Gaillard	—	—
	Supervisor	Sara Hou	—	—
	Supervisor	2-BBB Medicines BV	12,000,000	50.00%



Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
EnhanX Biopharm B.V.	Director	EnhanX Biopharm Inc.	100,000	100.00%
Chuang Yi Biotech Co., Ltd.	Director	TTY BioPharm Company Limited Representative: Nai-Wei Liu	16,645,697	49.05%
	Director	TTY BioPharm Company Limited Representative: Ruei-Wen Wu	16,645,697	49.05%
	Director	Chun-Hui Chang	1,470,000	4.33%
	Director	Hui-Wen Cho	335,000	0.99%
	Independent Director	Hsiu-Ming Wu	—	—
	Independent Director	Te-Yu Chou	—	—
	Independent Director	Yun-Liang Lai	—	—
	General Manager	Chung-Guang Chien		
Immortal Fame Global Ltd.	Director	Chun-Liang Shih	—	—
Chuang Yi (Shanghai) Trading Co., Ltd.	Director	Immortal Fame Global Ltd. Representative: Chi-Hsiang Lai	—	—
TSH Biopharm Company Limited	Chairman	TTY BioPharm Company Limited Representative: Chuan Lin	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Carl Hsiao	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Kang-Chi Chou	21,687,177	56.48%
	Director	TTY BioPharm Company Limited Representative: Chao-Yi Chiang	21,687,177	56.48%
	Independent Director	Chih-Li Wang	30	0.00%
	Independent Director	Yao-Bin Huang	—	—
	Independent Director	Jui-Hsun Chen	—	—
	General Manager	Si-Yuan Yang	13,000	0.03%

Name of company	Title	Name or Representative	Shareholdings	
			Shares	%
TTY Biopharm Korea Co., Ltd.	Chairman	Ying-Chun Hsiao	—	—
	Director	Wen-Hwa Chang	—	—
	Director and General Manager	Woosik Jung	—	—
	Director	Sara Hou (Registering)	—	—
	Supervisor	Kuo-Chiang Chang	—	—
TTY Biopharm Mexico S.A. de C.V.	Chairman	Ying-Chun Hsiao	—	—
	Director	Wen-Hwa Chang	—	—
	Director	Sara Hou	—	—
	Supervisor	Kuo-Chiang Chang	—	—
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi.	Director	Ying-Chun Hsiao	—	—
	Director	Wen-Hwa Chang	—	—
	Director	Sara Hou	—	—

## (5) Operational Highlights of Affiliates

Unit: NT\$ Thousand as of Dec.31, 2022

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	1,416,329	1,035	1,415,294	2	(17,742)	1,545	N/A
Worldco International Limited	82,458	214,896	3,014	211,882	51,038	(2,708)	4,084	N/A
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	52,086	76,220	25,826	50,394	—	(787)	524	N/A
American Taiwan Biopharma Philippines Inc.	37,768	14,604	14,874	(270)	6,260	(1,617)	(1,635)	N/A
TSH Biopharm Company Limited (Note)	383,981	1,147,333	87,058	1,060,275	464,378	63,199	62,055	1.61
EnhanX Biopharm Inc.	240,000	79,706	2,007	77,699	—	(23,947)	(40,251)	(1.68)
EnhanX Biopharm B.V.	3,538	1,423	3	1,420	—	(437)	(456)	N/A
Chuang Yi Biotech Co., Ltd.	339,356	293,957	135,399	158,558	276,688	2,826	4,253	0.13
Immortal Fame Global Ltd.	16,820	2,486	87	2,399	—	(340)	(205)	N/A
Chuang Yi (Shanghai) Trading Co., Ltd.	14,240	2,412	48	2,364	—	(302)	(174)	N/A
TTY Biopharm Korea Co. Ltd.	43,834	4,464	150	4,314	—	(8,626)	(7,611)	N/A
TTY Biopharm Mexico S.A. de C.V.	53,276	21,435	798	20,637	2	(8,632)	(9,348)	N/A
TTY Biopharm Turkey Saglik Urunleri Sanayi ve Ticaret Limited Sirketi.	13,863	10,719	7	10,712	—	(273)	(393)	N/A

Foreign exchange rates are as follows:

Balance Sheet	Income Statement
\$1RMB=\$4.408NT	\$1RMB=\$4.4162NT
\$1PHP=\$0.5443NT	\$1PHP=\$0.541NT
\$1USD=\$30.71NT	\$1USD=\$29.7617NT
\$1KRW=\$0.0244NT	\$1KRW=\$0.0231NT
\$1MXN=\$1.5818NT	\$1MXN=\$1.498NT
\$1HKD=\$3.938NT	\$1HKD=\$3.8NT
\$1EUR=\$32.72NT	\$1EUR=\$31.34NT
\$1TRY=\$1.641NT	\$1TRY=\$1.8227NT

## **(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, 2022 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 : Chuan Lin

March 14, 2023

**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. Historical experience 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:

Loss from Market Price Decline:

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 replacement cost 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.

Loss for Obsolete Inventories:

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 difference will 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 liability not 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**



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