

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

**TTY BIOPHARM COMPANY LIMITED  
AND ITS SUBSIDIARIES**

**Consolidated Interim Financial Statements**

**June 30, 2017 and 2016**

**(With Independent Auditors' Review Report Thereon)**

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The auditors' report and the accompanying consolidated interim 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 auditors' review report and consolidated interim financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors of TTY Biopharm Company Limited:

We have reviewed the accompanying consolidated interim balance sheets of TTY Biopharm Company Limited and its subsidiaries (“the Group”) as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income, for the three-month and the six-month periods then ended, and of changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Group’s management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review. We did not review the investments in other companies accounted for using the equity method of NT\$646,892 thousand and NT\$607,051 thousand, representing 6.93% and 6.75% of the related consolidated total assets, as of June 30, 2017 and 2016, respectively, and the related share of profit (loss) of associates and joint ventures accounted for using the equity method of NT\$(6,843) thousand, NT\$40,075 thousand, NT\$(31,048) thousand and NT\$31,774 thousand, representing (4.26)%, 10.69%, (11.70)% and 5.73% of consolidated net income, for the three months and the six months ended June 30, 2017 and 2016, respectively. The financial statements of the investee accounted for using the equity method were reviewed by other auditors, whose report has been furnished to us, and our review, insofar as it relates to the amounts included for this company, is based solely on the report of the other auditors.

Except as described in paragraphs 3 and 4, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 “Engagements to Review Financial Statements.” A review consists principally of inquiries of the Group’s management and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Included in the accompanying consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. The total assets of these subsidiaries amounted to NT\$274,525 thousand and NT\$205,314 thousand, representing 2.94% and 2.28% of the related consolidated total assets, and the total liabilities amounted to NT\$7,931 thousand and NT\$42,650 thousand, representing 0.20% and 1.17% of the related consolidated liabilities, as of June 30, 2017 and 2016, respectively. The comprehensive income (loss) of these subsidiaries amounted to NT\$1,331 thousand, NT\$(3,690) thousand, NT\$15,839 thousand and NT\$(6,286) thousand, representing 0.83%, (0.98)%, 5.97% and (1.13)% of the related consolidated comprehensive income for the three months and the six months ended June 30, 2017 and 2016, respectively.

Furthermore, long-term investments in these investee companies amounted to NT\$279,050 thousand and NT\$242,913 thousand as of June 30, 2017 and 2016, respectively, and the related investment gains amounted to NT\$9,029 thousand, NT\$7,964 thousand, NT\$15,286 thousand and NT\$14,702 thousand for the three months and the six months ended June 30, 2017 and 2016, respectively, were recognized based upon unreviewed financial statements of investee companies by independent auditors.

Based on our reviews and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity-accounted investees been reviewed by independent auditors as described in paragraphs 3 and 4, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting”, which are endorsed by the Financial Supervisory Commission in the Republic of China (R.O.C.).

KPMG

Taipei, Taiwan (Republic of China)

August 14, 2017

#### **Notes to Readers**

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

The auditors’ report and the accompanying consolidated interim 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 auditors’ report and consolidated interim financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2017 and 2016**

**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Balance Sheets

**June 30, 2017, December 31, 2016, and June 30, 2016**

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (notes 6(a) and (v))	\$ 2,696,574	30	2,108,713	23	2,517,097	29
1150 Notes receivable, net (notes 6(c) and (v))	41,045	-	62,278	1	48,479	1
1161 Notes receivable due from related parties (notes 6(c), (v) and 7)	-	-	-	-	558	-
1170 Accounts receivable, net (notes 6(c) and (v))	772,697	8	783,373	8	772,697	9
1180 Accounts receivable due from related parties, net (notes 6(c), (v) and 7)	26,285	-	13,668	-	9,108	-
1200 Other receivables, net (notes 6(c), (v) and 7)	107,980	1	46,309	-	76,114	1
130X Inventories (note 6(d))	586,697	6	565,683	7	511,146	6
1410 Prepayments	58,800	1	26,884	-	56,547	1
1476 Other financial assets-current (notes 6(a), (v) and 8)	640,548	8	1,057,186	12	641,066	7
1470 Other current assets	4,444	-	4,186	-	2,054	-
	<u>4,935,070</u>	<u>54</u>	<u>4,668,280</u>	<u>51</u>	<u>4,634,866</u>	<u>54</u>
<b>Non-current assets:</b>						
1523 Available-for-sale financial assets-noncurrent (notes 6(b) and (v))	421,130	5	539,205	6	420,500	5
1543 Financial assets carried at cost-noncurrent (notes 6(b) and (v))	-	-	-	-	26,250	-
1550 Investments accounted for using equity method, net (notes 6(f) and (g))	925,942	10	1,007,758	11	849,964	9
1600 Property, plant and equipment (note 6(i))	2,565,390	27	2,585,575	28	2,287,481	25
1760 Investment property, net (notes 6(f) and 8)	77,822	1	77,999	1	78,177	1
1780 Intangible assets (note 6(i))	26,031	-	29,648	-	41,586	-
1840 Deferred tax assets	30,332	-	31,760	-	6,568	-
1915 Prepayments for equipment	165,814	2	181,472	2	484,136	5
1920 Refundable deposits paid (notes 6(v) and 7)	29,801	-	24,001	-	28,422	-
1981 Cash surrender value of life insurance (note 6(v))	5,198	-	5,198	-	3,121	-
1984 Other financial assets-noncurrent (notes 6(a), (v) and 8)	125,030	1	126,816	1	125,121	1
1990 Other assets-noncurrent	23,454	-	12,593	-	6,505	-
	<u>4,395,944</u>	<u>46</u>	<u>4,622,025</u>	<u>49</u>	<u>4,357,831</u>	<u>46</u>
<b>Total assets</b>	<u>\$ 9,331,014</u>	<u>100</u>	<u>9,290,305</u>	<u>100</u>	<u>8,992,697</u>	<u>100</u>
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
Short-term loans (notes 6(k) and (v))	\$ 1,150,000	12	1,249,010	13	1,299,010	15
Notes payable (note 6(v))	19,923	-	16,572	-	7,562	-
Accounts payable (note 6(v))	102,779	1	84,671	1	79,163	1
Accounts payable to related parties (note 6(v) and 7)	-	-	-	-	7,260	-
Dividends payable (note 6(p))	996,674	11	-	-	905,368	10
Current tax liabilities	121,911	1	193,201	2	123,367	1
Current provisions	5,327	-	5,327	-	5,327	-
Other payables (notes 6(v) and 7)	400,954	5	483,329	6	446,544	6
Other current liabilities	51,394	1	48,548	1	30,208	-
Long-term loans, current portion (note 6(i))	200,000	2	200,000	3	-	-
	<u>3,048,962</u>	<u>33</u>	<u>2,280,658</u>	<u>26</u>	<u>2,903,809</u>	<u>33</u>
<b>Non-Current liabilities:</b>						
Long-term loans (notes 6(l) and (v))	630,000	7	630,000	7	400,000	5
Deferred tax liabilities	314,729	3	314,729	3	296,259	3
Net defined benefit liability-noncurrent	44,591	-	44,621	-	42,269	-
Guarantee deposits received (note 6(v))	10,085	-	9,985	-	1,936	-
	<u>999,405</u>	<u>10</u>	<u>999,335</u>	<u>10</u>	<u>740,464</u>	<u>8</u>
<b>Total liabilities</b>	<u>4,048,367</u>	<u>43</u>	<u>3,279,993</u>	<u>36</u>	<u>3,644,273</u>	<u>41</u>
<b>Equity attributable to owners of parent (note 6(p)):</b>						
<b>Share capital:</b>						
Share capital	2,486,500	27	2,486,500	27	2,486,500	28
<b>Capital surplus:</b>						
Capital surplus	409,045	4	405,368	4	378,320	4
<b>Retained earnings:</b>						
Legal reserve	722,945	8	603,613	6	603,613	7
Special reserve	110,154	1	110,154	1	110,154	1
Total unappropriated retained earnings	888,490	10	1,487,805	16	932,447	10
Other equity interest	121,316	1	285,088	3	269,865	3
	<u>4,738,450</u>	<u>51</u>	<u>5,378,528</u>	<u>57</u>	<u>4,780,899</u>	<u>53</u>
<b>Equity attributable to the parent company:</b>						
Non-controlling interests (note 6(p))	544,197	6	631,784	7	567,525	6
Total equity	<u>5,282,647</u>	<u>57</u>	<u>6,010,312</u>	<u>64</u>	<u>5,348,424</u>	<u>59</u>
<b>Total liabilities and equity</b>	<u>\$ 9,331,014</u>	<u>100</u>	<u>9,290,305</u>	<u>100</u>	<u>8,992,697</u>	<u>100</u>

See accompanying notes to consolidated interim financial statements.

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2017 and 2016**

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

	For the three months ended June 30				For the six months ended June 30				
	2017		2016		2017		2016		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(r) and 7)	\$ 930,162	100	959,981	100	1,876,568	100	1,872,585	100
5000	Cost of sales (notes 6(d) and 7)	<u>310,123</u>	<u>33</u>	<u>303,141</u>	<u>32</u>	<u>608,304</u>	<u>32</u>	<u>576,769</u>	<u>31</u>
	Gross profit	620,039	67	656,840	68	1,268,264	68	1,295,816	69
5910	Less: Unrealized profit (loss) from sales	(1,155)	-	-	-	5,110	-	7,512	-
5920	Add: Realized profit (loss) from sales	-	-	3,064	-	4,132	-	9,472	-
	Gross profit, net	<u>621,194</u>	<u>67</u>	<u>659,904</u>	<u>68</u>	<u>1,267,286</u>	<u>68</u>	<u>1,297,776</u>	<u>69</u>
6000	Operating expenses (notes 7 and 12):								
6100	Selling expenses	195,847	21	173,158	18	394,489	21	344,333	18
6200	General and administrative expenses	66,282	7	73,739	8	133,660	7	143,065	8
6300	Research and development expenses	<u>71,669</u>	<u>8</u>	<u>90,806</u>	<u>9</u>	<u>149,619</u>	<u>8</u>	<u>170,721</u>	<u>9</u>
		<u>333,798</u>	<u>36</u>	<u>337,703</u>	<u>35</u>	<u>677,768</u>	<u>36</u>	<u>658,119</u>	<u>35</u>
	Net operating income	<u>287,396</u>	<u>31</u>	<u>322,201</u>	<u>33</u>	<u>589,518</u>	<u>32</u>	<u>639,657</u>	<u>34</u>
	Non-operating income and expenses (notes 6(t) and 7):								
7010	Other income	8,681	1	8,019	1	16,474	1	12,493	1
7020	Other gains and losses, net	18,028	2	70,434	7	2,149	-	120,223	6
7050	Finance costs, net	(5,456)	(1)	(5,201)	(1)	(11,393)	(1)	(10,755)	(1)
7070	Share of loss of associates accounted for using equity method, net (note 6(f))	<u>2,186</u>	<u>-</u>	<u>48,039</u>	<u>5</u>	<u>(15,762)</u>	<u>(1)</u>	<u>46,496</u>	<u>3</u>
		<u>23,439</u>	<u>2</u>	<u>121,291</u>	<u>12</u>	<u>(8,532)</u>	<u>(1)</u>	<u>168,457</u>	<u>9</u>
	Profit before tax	<u>310,835</u>	<u>33</u>	<u>443,492</u>	<u>45</u>	<u>580,986</u>	<u>31</u>	<u>808,114</u>	<u>43</u>
7950	Less: Income tax expense (note 6(o))	<u>58,911</u>	<u>6</u>	<u>55,994</u>	<u>6</u>	<u>102,712</u>	<u>5</u>	<u>115,425</u>	<u>6</u>
	Profit for the period	<u>251,924</u>	<u>27</u>	<u>387,498</u>	<u>39</u>	<u>478,274</u>	<u>26</u>	<u>692,689</u>	<u>37</u>
8300	Other comprehensive income:								
8360	Other components of other comprehensive income that may be reclassified to profit or loss								
8361	Exchange differences on translation	11,572	1	(5,606)	(1)	(94,433)	(5)	(6,501)	-
8362	Unrealized losses on valuation of available-for-sale financial assets	(97,065)	(10)	(4,118)	-	(118,075)	(6)	(128,733)	(7)
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(5,799)	(1)	(2,948)	-	(434)	-	(2,948)	-
8399	Less: Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
	Components of other comprehensive income that may be reclassified to profit or loss	<u>(91,292)</u>	<u>(10)</u>	<u>(12,672)</u>	<u>(1)</u>	<u>(212,942)</u>	<u>(11)</u>	<u>(138,182)</u>	<u>(7)</u>
8300	Other comprehensive income, net	<u>(91,292)</u>	<u>(10)</u>	<u>(12,672)</u>	<u>(1)</u>	<u>(212,942)</u>	<u>(11)</u>	<u>(138,182)</u>	<u>(7)</u>
	Total comprehensive income	<u>\$ 160,632</u>	<u>17</u>	<u>374,826</u>	<u>38</u>	<u>265,332</u>	<u>15</u>	<u>554,507</u>	<u>30</u>
	Profit attributable to:								
	Owners of parent	\$ 243,681	26	355,040	36	464,887	25	635,684	34
	Non-controlling interests	<u>8,243</u>	<u>1</u>	<u>32,458</u>	<u>3</u>	<u>13,387</u>	<u>1</u>	<u>57,005</u>	<u>3</u>
		<u>\$ 251,924</u>	<u>27</u>	<u>387,498</u>	<u>39</u>	<u>478,274</u>	<u>26</u>	<u>692,689</u>	<u>37</u>
	Comprehensive income attributable to:								
	Owners of parent	\$ 193,406	21	343,677	35	301,115	16	545,538	29
	Non-Controlling interests	<u>(32,774)</u>	<u>(4)</u>	<u>31,149</u>	<u>3</u>	<u>(35,783)</u>	<u>(1)</u>	<u>8,969</u>	<u>1</u>
		<u>\$ 160,632</u>	<u>17</u>	<u>374,826</u>	<u>38</u>	<u>265,332</u>	<u>15</u>	<u>554,507</u>	<u>30</u>
	Earnings per share (note 6(q))								
	Basic earnings per share	<u>\$ 0.98</u>		<u>1.43</u>		<u>1.87</u>		<u>2.56</u>	
	Diluted earnings per share	<u>\$ 0.98</u>		<u>1.43</u>		<u>1.87</u>		<u>2.55</u>	

See accompanying notes to consolidated interim financial statements.

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Share capital	Equity attributable to owners of parent										
	Retained earnings			Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets		Total other equity interest		Owners of parent company	
Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on available-for-sale financial assets	Exchange differences on translation of foreign financial statements	Total other equity interest	Total other equity interest	Non-controlling interests	Owners of parent company	Total equity
\$ 2,486,500	373,985	482,511	110,154	1,288,140	343,851	16,160	360,011	360,011	593,649	5,101,301	5,694,950
-	-	-	-	635,684	-	-	-	-	57,005	635,684	692,689
-	-	-	-	-	(83,603)	(6,543)	(90,145)	(90,145)	(48,036)	(90,145)	(138,182)
-	-	-	-	635,684	(83,603)	(6,543)	(90,145)	(90,145)	8,969	545,538	554,507
-	-	121,102	-	(121,102)	-	-	-	-	-	-	-
-	-	-	-	(870,275)	-	-	-	-	(870,275)	(870,275)	(905,368)
-	4,335	-	-	-	-	-	-	-	-	4,335	4,335
\$ 2,486,500	378,320	603,613	110,154	932,447	260,248	9,617	269,865	269,865	567,525	4,780,899	5,348,424
\$ 2,486,500	405,368	603,613	110,154	1,487,805	287,450	(2,362)	285,088	285,088	631,784	5,378,528	6,010,312
-	-	-	-	464,887	-	-	-	-	13,387	464,887	478,274
-	-	-	-	-	(69,377)	(94,395)	(163,772)	(163,772)	(49,170)	(163,772)	(212,942)
-	-	-	-	464,887	(69,377)	(94,395)	(163,772)	(163,772)	(35,783)	301,115	265,332
-	3,677	-	-	(119,332)	-	-	-	-	-	-	-
-	-	-	-	(944,870)	-	-	-	-	(51,804)	(944,870)	(996,674)
-	-	-	-	-	-	-	-	-	-	3,677	3,677
\$ 2,486,500	409,045	722,945	110,154	888,490	218,073	(96,757)	121,316	121,316	544,197	4,738,450	5,282,647

Balance at January 1, 2016

Profit for the period

Other comprehensive income for the period

Total comprehensive income for the period

Appropriation and distribution of retained earnings:

Legal reserve

Cash dividends of ordinary share

Other changes in capital surplus:

Changes in equity of associates accounted for using equity method

Balance at June 30, 2016

Balance at January 1, 2017

Profit for the period

Other comprehensive income for the period

Total comprehensive income for the period

Appropriation and distribution of retained earnings:

Legal reserve

Cash dividends of ordinary share

Other changes in capital surplus:

Changes in equity of associates accounted for using equity method

Balance at June 30, 2017

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months and six months ended June 30, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2017	2016
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 580,986	808,114
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	67,270	45,137
Amortization expense	4,154	9,406
Interest expense	11,393	10,755
Interest income	(10,237)	(6,447)
Share of loss (gain) of associates accounted for using equity method	15,762	(46,496)
Loss on disposal of property, plant and equipment	2,004	3
Allocation of deferred income	(505)	(505)
Gain on disposal of investments	-	(104,924)
Unrealized profit (loss) from sales	5,110	7,512
Realized loss (profit) on from sales	(4,132)	(9,472)
<b>Total adjustments to reconcile profit (loss)</b>	<b>90,819</b>	<b>(95,031)</b>
<b>Changes in operating assets and liabilities:</b>		
Notes receivable	21,233	93
Accounts receivable	(2,122)	173,137
Other receivable	(2,653)	(7,160)
Inventories	(21,214)	20,937
Prepayments and other current assets	(32,432)	(13,222)
<b>Total changes in operating assets</b>	<b>(37,188)</b>	<b>173,785</b>
Notes payable	3,351	(13,206)
Accounts payable	18,908	(66,726)
Other payable	(81,547)	(11,660)
Other current liabilities	2,865	(1,001)
Net defined benefit liability	(30)	(206)
<b>Total changes in operating liabilities</b>	<b>(56,453)</b>	<b>(92,799)</b>
<b>Net changes in operating assets and liabilities</b>	<b>(93,641)</b>	<b>80,986</b>
<b>Total adjustments</b>	<b>(2,822)</b>	<b>(14,045)</b>
Cash flows from operating activities	578,164	794,069
Interest received	10,237	6,447
Dividends received	7,416	7,893
Interest paid	(11,507)	(10,777)
Income taxes paid	(172,617)	(190,462)
<b>Net cash flows from operating activities</b>	<b>411,693</b>	<b>607,170</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	-	64,028
Proceeds from disposal of financial assets carried at cost	-	83,748
Proceeds from disposal of investments accounted for using equity method	-	455,398
Acquisition of property, plant and equipment	(27,702)	(33,374)
Proceeds from disposal of property, plant and equipment	2	289
Increase in refundable deposits	(5,802)	(4,437)
Acquisition of intangible assets	(538)	(416)
Decrease (increase) in other financial assets	391,044	(148,375)
Increase in prepayments for equipment	(6,332)	(17,542)
(Increase) decrease in other non-current assets	(10,873)	5,552
<b>Net cash flows from investing activities</b>	<b>339,799</b>	<b>404,871</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	3,069,000	2,599,010
Decrease in short-term loans	(3,168,010)	(2,500,000)
Repayments of long-term debt	-	(300,000)
Increase (decrease) in guarantee deposits received	100	(160)
<b>Net cash flows used in financing activities</b>	<b>(98,910)</b>	<b>(201,150)</b>
Effect of exchange rate changes on cash and cash equivalents	(64,721)	(4,318)
Net increase in cash and cash equivalents	587,861	806,573
Cash and cash equivalents at beginning of period	2,108,713	1,710,524
Cash and cash equivalents at end of period	<b>\$ 2,696,574</b>	<b>2,517,097</b>

See accompanying notes to consolidated interim financial statements.



(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2017 and 2016

## TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Interim Financial Statements

June 30, 2017 and 2016

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

#### (1) Company history

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

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

The accompanying consolidated interim financial statements were authorized for issuance by the Board of Directors on August 14, 2017.

#### (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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Presentation of Financial Statements-Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Impairment of Non-Financial Assets-Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 39 “Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

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

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

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

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017 and hedging relationships designated under during the first half of 2017 under IAS 39.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI ) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At June 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$421,130 thousand that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group’s profits.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

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## TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Interim Financial Statements

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group's preliminary assessment indicated that application of IFRS 9's impairment requirements at June 30, 2017 and 2016 would not have a material impact on the consolidated financial statements.

#### 3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

#### 4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.

(Continued)

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

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

1) Sales of goods

For the sales of products, revenue is currently recognized based on the individual terms of each sales agreement when (i) related risks and rewards of ownership are transferred (ii) sales and costs can be measured reliably and their recoverability is probable (iii) and there is no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control over the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group’s preliminary assessment indicated that the application of IFRS 15 would not have any material impact on the consolidated financial statements.

2) Transition

The Group plans to adopt IFRS 15 in its consolidated interim financial statements using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated interim financial statements.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(Continued)

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

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

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

(Continued)

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

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

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

**(a) Statement of compliance**

The consolidated interim 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 consolidated interim financial statements, the Chinese version shall prevail.

The accompanying interim consolidated financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations) and the guidelines of IAS 34 “Interim Financial Reporting” endorsed by the FSC. Such consolidated interim financial statements, however, do not include all of the information required for full annual financial statements by International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and released to be effective by the FSC (hereinafter referred to as “IFRS endorsed by the FSC”).

Except for the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2016.

**(b) Basis of consolidation**

Except as disclosed in Note 3, the principles in preparing the consolidated financial statements were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 4(c) to the consolidated financial statements for the year ended December 31, 2016, for related information. A list of subsidiaries included in the consolidated financial statements.

Investor	Subsidiary	Nature of business	Shareholding ratio		
			June 30, 2017	December 31, 2016	June 30, 2016
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %	100.00 %
The Company	American Taiwan Biopharma Phils Inc.	Selling Western medicine	87.00 %	87.00 %	87.00 %
The Company	TSH Biopharm Co., Ltd.	Selling Western medicine	56.48 %	56.48 %	56.48 %
The Company	Worldco International Co., Ltd.	Investing activities and selling Western medicine	100.00 %	100.00 %	100.00 %
Worldco International Co., Ltd	Worldco Biotech Pharmaceutical Ltd	Marketing consulting regarding Western medicine	100.00 %	100.00 %	100.00 %

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding ratio		
			June 30, 2017	December 31, 2016	June 30, 2016
Worldco International Co., Ltd	Worldco Biotech (Chengdu) Pharmaceutical Co., Ltd.	Selling Western medicine	100.00 %	100.00 %	100.00 %

(c) Income taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 “Interim Financial Reporting.”

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by management. It is charged to profit or loss as income tax expense.

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

(d) Employee benefits

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2016.

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

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

(a) Cash and cash equivalents

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand	\$ 4,960	4,155	10,241
Cash in banks	1,983,039	1,687,420	1,551,263
Time deposits	<u>708,575</u>	<u>417,138</u>	<u>955,593</u>
	<u>\$ 2,696,574</u>	<u>2,108,713</u>	<u>2,517,097</u>

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

(b) Investment in financial assets

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Available-for-sale financial assets—noncurrent:			
Stocks listed on domestic markets —Lumosa Therapeutics Co., Ltd.	\$ 237,800	256,650	420,500
Stocks emerged on domestic markets —Pharmira Laboratories, Inc.	183,330	282,555	-
Financial assets carried at cost—noncurrent:			
Stock of unlisted on domestic markets —Pharmira Laboratories, Inc.	<u>-</u>	<u>-</u>	<u>26,250</u>
	<u>\$ 421,130</u>	<u>539,205</u>	<u>446,750</u>

- (i) 31.82% of Pharmira Laboratories, Inc. owned by TSH Biopharm Co., Ltd. was accounted for using the equity method. The Group's shareholding ratio in Pharmira Laboratories, Inc. dropped to 5.93%, and the Group lost its significant influence over the investments because of a cash capital increase in February 2016 launched by Pharmira Laboratories, Inc. Therefore, the investments were reclassified from investments accounted for using the equity method and noncurrent assets classified as held for sale to financial assets carried at cost. Pharmira Laboratories, Inc. shares were listed on the emerging market on December 28, 2016, so the investments were reclassified from financial assets carried at cost to available-for-sale financial assets. Please refer to Notes 6(e) and 6(f) for details.

(Continued)

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

- (ii) Please refer to Notes 6(p) and 6(u) for recognition in other comprehensive income due to changes in fair value and further discussion on reclassification from equity to profit or loss.
- (iii) Please refer to Note 6(t) for gains on disposal of the investments in Lumosa Therapeutics Co., Ltd. and Pharmira Laboratories, Inc. of \$50,528 and \$57,498, respectively.
- (iv) As of June 30, 2017 and 2016, the aforesaid financial assets were not pledged as collateral.
- (v) If the stock price changes at the reporting date, the changes in other comprehensive income of the Group are estimated as follows (The analysis was made on the same basis for both periods, assuming that all other variables remain constant and that any impact on forecasted sales and purchases is ignored.):

<u>Stock Price</u>	<b>For the six months ended June 30</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Other comprehensive income, net of tax</b>	<b>Profit, net of tax</b>	<b>Other comprehensive income, net of tax</b>	<b>Profit, net of tax</b>
Increase by 10%	<b>\$ 42,113</b>	-	<b>42,050</b>	-
Decrease by 10%	<b>\$ (42,113)</b>	-	<b>(42,050)</b>	-

- (c) Notes receivable, accounts receivable, and other receivables (including related parties)

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Notes receivables	\$ 41,045	62,278	49,037
Accounts receivables	832,321	835,380	828,589
Other receivables	107,980	46,309	76,114
Less: Allowance for impairment	(33,339)	(38,339)	(46,784)
	<b>\$ 948,007</b>	<b>905,628</b>	<b>906,956</b>

Aging analysis of notes and accounts receivable and other receivables which were overdue but not impaired was as follows:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>	<b>June 30, 2016</b>
Past due less than 90 days	\$ 739	2,783	1,614
Past due 91-180 days	-	1,487	331
Past due 181-365 days	34	10	98
Past due more than 366 days	-	-	368
	<b>\$ 773</b>	<b>4,280</b>	<b>2,411</b>

(Continued)

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

The movements in the allowance for impairment with respect to the receivables during the period were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance as of January 1, 2017	\$ 20,394	17,945	38,339
Reversal of impairment loss	-	(5,000)	(5,000)
Balance as of June 30, 2017	<u>\$ 20,394</u>	<u>12,945</u>	<u>33,339</u>
Balance as of January 1, 2016	\$ 20,539	31,268	51,807
Amounts written off	-	(23)	(23)
Reversal of impairment loss	-	(5,000)	(5,000)
Balance as of June 30, 2016	<u>\$ 20,539</u>	<u>26,245</u>	<u>46,784</u>

- (i) The average credit terms granted for notes and accounts receivable pertaining to sales transactions ranged from one to six months. To determine the probability of collection, the Group considers any change in the credit quality from origination date to reporting date. Past experience indicates that notes receivable that are more than 180 days past due are 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, an allowance account is recognized after analyzing the payment history of customer accounts, the current financial situation, and the evaluation of the uncollectible amount.
- (ii) As of June 30, 2017, December 31, 2016 and June 30, 2016, notes receivable and accounts receivable were not pledged as collateral.
- (d) Inventories

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Merchandise	\$ 184,455	151,452	121,325
Finished goods	115,577	114,986	120,481
Work in process	110,936	102,487	73,723
Raw materials	182,344	207,832	184,880
Materials	<u>37,325</u>	<u>31,064</u>	<u>35,623</u>
Subtotal	630,637	607,821	536,032
Goods in transit	<u>22,339</u>	<u>16,689</u>	<u>-</u>
Total	652,976	624,510	536,032
Less: Allowance for inventory market decline and obsolescence	<u>(66,279)</u>	<u>(58,827)</u>	<u>(24,886)</u>
Net amount	<u>\$ 586,697</u>	<u>565,683</u>	<u>511,146</u>

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

The cost of inventories recognized as cost of goods sold and expense for the three months and the six months ended June 30, 2017 and 2016, amounted to \$302,748, \$303,141, \$600,852 and \$572,519, respectively. The main item was the costs arising from selling goods. For the three months and the six months ended June 30, 2017 and 2016, the inventory write-down to net realizable value was recognized as an increase in cost of goods sold of \$7,375, \$0, \$7,452 and \$4,250, respectively.

As of June 30, 2017, December 31, 2016 and June 30, 2016, the aforesaid inventories were not pledged as collateral.

(e) Noncurrent assets classified as held for sale

On October 20, 2015, the Board of directors meeting resolved to sold half of its ownership of Pharmira Laboratories, Inc. totaling 2,625 thousand shares, and signed a share sales agreement on December 7, 2015. The book value of these investments amounted to \$27,791 for the years ended December 31, 2015. The aforesaid investments which were previously classified as held for sale were reclassified to noncurrent assets. The investment was sold in June 2016. Please refer to Notes 6(b) and 6(f) for details.

(f) Investments accounted for using equity method

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates	<u>\$ 925,942</u>	<u>1,007,758</u>	<u>849,964</u>

(i) Associates

- 1) As of June 30, 2017, December 31, 2016 and June 30, 2016, the carrying value of associates which had a quoted market price amounted to \$696,606, \$792,619 and \$607,051, respectively, while fair value amounted to \$5,083,103, \$4,545,226 and \$4,344,131, respectively.
- 2) Chuang Yi Biotech Co., Ltd.'s shares were listed on the emerging market in January 2016. Chuang Yi Biotech Co., Ltd. launched a cash capital increase and the Group invested \$25,059 for 626,425 shares in 2016, resulting in a decrease in ratio from 27.84% to 27.54%. As the Group did not subscribe in proportion to the shareholding ratio in 2016, such increase was credited to capital surplus of \$2,068.
- 3) For the six months ended June 30, 2017 and 2016, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased treasury shares, which led to a change in the shareholding ratio, and such change was credited to capital surplus of \$3,677 and \$4,335, respectively. As the Group did not subscribe in proportion to the shareholding ratio for the six months ended June 30, 2017 and 2016, such ratio decreased from 19.30% to 19.28% and 19.32% to 19.29%, respectively.

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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- 4) TSH Biopharm Co., Ltd. paid \$70,000 for the capital increase of Pharmira Laboratories, Inc. and acquired 31.82% of ownership in June 2014. Based on the evaluation of significant influence, such investment was accounted for using the equity method. The Group's shareholding ratio in Pharmira Laboratories, Inc. dropped to 5.93%, and the Group lost its significant influence over the investments because of a cash capital increase in February 2016 launched by Pharmira Laboratories, Inc. Therefore, the investments were reclassified from investments accounted for using the equity method and noncurrent assets classified as held for sale to financial assets carried at cost. The fair value of investments was re-measured during the reclassification. The difference between the fair value and the carrying amount of \$3,102 was recognized as disposal loss under other income and loss in the statement of comprehensive income.

- (ii) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership		
			June 30, 2017	December 31, 2016	June 30, 2016
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	19.28 %	19.30 %	19.29 %

- 1) Summary financial information on significant associates

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

- a) Summary financial information on PharmaEngine, Inc.

	June 30, 2017	December 31, 2016	June 30, 2016
Current assets	\$ 3,693,175	3,935,733	3,376,321
Noncurrent assets	42,678	23,528	38,646
Current liabilities	(380,648)	(150,038)	(257,849)
Noncurrent liabilities	-	(10,445)	(9,839)
Net assets	<u>\$ 3,355,205</u>	<u>3,798,778</u>	<u>3,147,279</u>
Net assets attributable to non-controlling interests	<u>\$ 646,892</u>	<u>733,329</u>	<u>607,051</u>
Net assets attributable to investee owners	<u>\$ 2,708,313</u>	<u>3,065,449</u>	<u>2,540,228</u>

(Continued)

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue	\$ <u>29,144</u>	<u>324,479</u>	<u>40,094</u>	<u>326,065</u>
Profit for the period	\$ (35,495)	207,680	(161,010)	164,685
Other comprehensive income	131	(91)	106	(119)
Comprehensive income	\$ <u>(35,364)</u>	<u>207,589</u>	<u>(160,904)</u>	<u>164,566</u>
Comprehensive income attributable to investee owners	\$ <u>(35,364)</u>	<u>207,589</u>	<u>(160,904)</u>	<u>164,566</u>

	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Net assets attributable to the Group, beginning balance	\$ 733,329	610,352
Comprehensive income attributable to the Group	(31,028)	31,751
Cash dividends received from associates	(59,086)	(39,387)
Recognition of capital surplus due to change in associates	3,677	4,335
Net assets attributable to the Group, ending balance	\$ <u>646,892</u>	<u>607,051</u>
Carrying amount of interest in associates, ending balance	\$ <u>646,892</u>	<u>607,051</u>

(iii) Summary financial information on individually insignificant associates

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Carrying amount of interest in individually insignificant associates	\$ <u>279,050</u>	<u>274,429</u>	<u>242,913</u>

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Attributable to the Group:				
Profit for the period	\$ 9,029	7,965	15,286	14,702
Other comprehensive income (loss)	(2,389)	(1,948)	(2,776)	(1,700)
Comprehensive income	\$ <u>6,640</u>	<u>6,017</u>	<u>12,510</u>	<u>13,002</u>

(iv) Collateral

As of June 30, 2017, December 31, 2016, and June 30, 2016, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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(g) Subsidiary with significant non-controlling interest

Subsidiary with significant non-controlling interest were as follows:

<u>Subsidiary</u>	<u>Country of registration</u>	<u>Ownership and voting rights ratio</u>		
		<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %

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

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current assets	\$ 1,070,124	1,053,086	1,125,541
Non-current assets	398,205	514,148	378,350
Current liabilities	(218,254)	(116,872)	(201,439)
Net assets	<u>\$ 1,250,075</u>	<u>1,450,362</u>	<u>1,302,452</u>
Non-controlling interests	<u>\$ 544,024</u>	<u>631,189</u>	<u>566,819</u>

  

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating revenue	<u>\$ 127,245</u>	<u>137,614</u>	<u>241,160</u>	<u>259,112</u>
Net income for the period	\$ 18,981	74,701	31,622	130,948
Other comprehensive loss	(94,185)	(2,982)	(112,875)	(110,349)
Comprehensive income	<u>\$ (75,204)</u>	<u>71,719</u>	<u>(81,253)</u>	<u>20,599</u>
Net income attribute to non-controlling interest	<u>\$ 8,261</u>	<u>32,510</u>	<u>13,762</u>	<u>56,989</u>
Comprehensive income attribute to non-controlling interests	<u>\$ (32,729)</u>	<u>31,213</u>	<u>(35,361)</u>	<u>8,965</u>

  

	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities	\$ 48,418	51,385
Cash flows from investing activities	138,546	(7,477)
Net increase in cash	<u>\$ 186,964</u>	<u>43,908</u>

(Continued)

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

(h) Property, plant and equipment

	Land	Building and construction	Machinery and equipment	Trans- portation equipment	Office equipment	Other equipment	Construction in progress	Total
<b>Cost:</b>								
Balance on January 1, 2017	\$ 816,169	1,273,278	664,686	3,171	405,557	6,975	126,957	3,296,793
Additions	-	1,944	1,042	-	4,464	119	20,133	27,702
Disposals	-	(2,320)	(497)	-	(9,602)	-	-	(12,419)
Reclassifications	-	19,614	-	-	20,870	-	(18,494)	21,990
Effect of changes in foreign exchange rate	-	(772)	-	-	(81)	(9)	-	(862)
Balance on June 30, 2017	<u>\$ 816,169</u>	<u>1,291,744</u>	<u>665,231</u>	<u>3,171</u>	<u>421,208</u>	<u>7,085</u>	<u>128,596</u>	<u>3,333,204</u>
Balance on January 1, 2016	\$ 816,169	783,796	403,143	4,371	358,038	6,298	546,098	2,917,913
Additions	-	26,315	1,275	-	5,098	686	-	33,374
Disposals	-	(1,086)	(778)	-	(3,151)	-	-	(5,015)
Reclassifications	-	232,252	2,155	-	1,042	-	(231,603)	3,846
Effect of changes in foreign exchange rate	-	-	-	-	(62)	(2)	-	(64)
Balance on June 30, 2016	<u>\$ 816,169</u>	<u>1,041,277</u>	<u>405,795</u>	<u>4,371</u>	<u>360,965</u>	<u>6,982</u>	<u>314,495</u>	<u>2,950,054</u>
<b>Depreciation:</b>								
Balance on January 1, 2017	\$ -	205,015	240,234	1,234	262,034	2,701	-	711,218
Depreciation for the year	-	29,451	21,804	152	15,338	348	-	67,093
Disposals	-	(2,308)	(497)	-	(7,608)	-	-	(10,413)
Effect of changes in foreign exchange rate	-	(1)	-	-	(75)	(8)	-	(84)
Balance on June 30, 2017	<u>\$ -</u>	<u>232,157</u>	<u>261,541</u>	<u>1,386</u>	<u>269,689</u>	<u>3,041</u>	<u>-</u>	<u>767,814</u>
Balance on January 1, 2016	\$ -	173,723	207,709	1,838	237,055	2,061	-	622,386
Depreciation for the year	-	13,804	15,853	198	14,800	305	-	44,960
Disposals	-	(1,083)	(628)	-	(3,012)	-	-	(4,723)
Effect of changes in foreign exchange rate	-	-	-	-	(48)	(2)	-	(50)
Balance on June 30, 2016	<u>\$ -</u>	<u>186,444</u>	<u>222,934</u>	<u>2,036</u>	<u>248,795</u>	<u>2,364</u>	<u>-</u>	<u>662,573</u>
<b>Carrying amounts:</b>								
Balance on January 1, 2017	<u>\$ 816,169</u>	<u>1,068,263</u>	<u>424,452</u>	<u>1,937</u>	<u>143,523</u>	<u>4,274</u>	<u>126,957</u>	<u>2,585,575</u>
Balance on June 30, 2017	<u>\$ 816,169</u>	<u>1,059,587</u>	<u>403,690</u>	<u>1,785</u>	<u>151,519</u>	<u>4,044</u>	<u>128,596</u>	<u>2,565,390</u>
Balance on January 1, 2016	<u>\$ 816,169</u>	<u>610,073</u>	<u>195,434</u>	<u>2,533</u>	<u>120,983</u>	<u>4,237</u>	<u>546,098</u>	<u>2,295,527</u>
Balance on June 30, 2016	<u>\$ 816,169</u>	<u>854,833</u>	<u>182,861</u>	<u>2,335</u>	<u>112,170</u>	<u>4,618</u>	<u>314,495</u>	<u>2,287,481</u>

(i) Collateral

As of June 30, 2017, December 31, 2016, and June 30, 2016, the property, plant and equipment were not pledged as collateral.

(ii) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to \$128,596, including capitalized loan cost.

(Continued)



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

## (i) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Carrying amount:</b>			
Balance on January 1, 2017	\$ <u>69,152</u>	<u>8,847</u>	<u>77,999</u>
Balance on June 30, 2017	\$ <u>69,152</u>	<u>8,670</u>	<u>77,822</u>
Balance on January 1, 2016	\$ <u>69,152</u>	<u>9,202</u>	<u>78,354</u>
Balance on June 30, 2016	\$ <u>69,152</u>	<u>9,025</u>	<u>78,177</u>

- (i) For the six months ended June 30, 2017 and 2016, there were no significant additions, disposals, or recognition and reversal of impairment losses of investment property. Please refer to Note 12(a) for details on depreciation on investment property and to Note 6(i) to the consolidated financial statements for the year ended December 31, 2016, for other related information.
- (ii) There was no significant difference in the fair value of investment property of the Group compared to the fair value disclosed in Note 6(i) to the consolidated financial statements for the year ended December 31, 2016.
- (iii) As of June 30, 2017 and December 31, 2016, the Group's investment properties were not pledged as collateral. The Group's investment properties were pledged as collateral for the years ended June 30, 2016, please refer to Note 8 for details.

## (j) Intangible assets

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
<b>Carrying amount:</b>			
Balance on January 1, 2017	\$ <u>14,145</u>	<u>15,503</u>	<u>29,648</u>
Balance on June 30, 2017	\$ <u>11,736</u>	<u>14,295</u>	<u>26,031</u>
Balance on January 1, 2016	\$ <u>18,636</u>	<u>32,144</u>	<u>50,780</u>
Balance on June 30, 2016	\$ <u>16,028</u>	<u>25,558</u>	<u>41,586</u>

For the six months ended June 30, 2017 and 2016, there were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets. Please refer to Note 12(a) for details on impairment and to Note 6(j) to the consolidated financial statements for the year ended December 31, 2016, for other related information.

As of June 30, 2017, December 31, 2016, and June 30, 2016 the aforementioned intangible assets were not pledged as collateral.

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## (k) Short-term loans

	June 30, 2017	December 31, 2016	June 30, 2016
Secured bank loans	<u>\$ 1,150,000</u>	<u>1,249,010</u>	<u>1,299,010</u>
Unused credit line	<u>\$ 1,670,000</u>	<u>1,455,990</u>	<u>1,335,990</u>
Range if interests rates	<u>0.91%~1.01%</u>	<u>1.01%~1.05%</u>	<u>1.00%~1.10%</u>

(i) For the six months ended June 30, 2017 and 2016, the Group increased its short-term borrowings by \$3,069,000 and \$2,599,010, respectively, with an interest rate of 0.91%~1.01% and 1.00%~1.10%, respectively, and the repayments of short-term borrowings amounted to \$3,168,010 and \$2,500,000, respectively. Please refer to Note 6(t) for details on interest expenses and to Note 6(l) to consolidated financial statements for the year ended December 31, 2016, for other related information.

(ii) The Group's assets were pledged as guarantee for the Group's credit loan facility. Please refer to Note 8 for details.

## (l) Long-term loans

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured bank loans	\$ 830,000	830,000	400,000
Less: Current portion	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
	<u>\$ 630,000</u>	<u>630,000</u>	<u>400,000</u>
Unused credit line	<u>\$ -</u>	<u>-</u>	<u>300,000</u>
Range of interest rate	<u>1.15%~1.298%</u>	<u>1.135%~1.298%</u>	<u>1.164%~1.33%</u>

(i) There were no significant issues, repurchases and repayments of long-term borrowings for the six months ended June 30, 2017 and 2016. Information on interest expense for the period is discussed in Note 6(t). Please refer to Note 6(t) of the 2016 annual consolidated financial statements for other related information.

(ii) For the collateral for long-term borrowings, please refer to note 8.

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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## (m) Operating lease

## (i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
Less than one year	\$ 2,975	3,710	5,077
Between one and five years	7,155	8,530	9,589
More than five years	-	-	95
	<u>\$ 10,130</u>	<u>12,240</u>	<u>14,761</u>

## (ii) Leases as lessor

The Group leases out its investment properties (see Note 6(i)). The future minimum lease payments under non-cancellable leases are as follows:

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
Less than one year	\$ 11,182	7,894	6,302
Between one and five years	17,906	20,099	8,507
More than five years	-	110	531
	<u>\$ 29,088</u>	<u>28,103</u>	<u>15,340</u>

## (n) Employee benefits

## (i) Defined benefit plans

The management believes that there was no material market volatility, material reimbursement and settlement, or other material one-time events. As a result, the pension cost in the accompanying consolidated interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2016 and 2015.

The Group's pension expenses recognized in profit or loss for the three months and the six months ended June 30, 2017 and 2016, were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating costs	\$ 164	190	328	381
Selling expenses	118	99	236	197
Administrative expenses	66	45	132	90
Research and development expenses	80	78	160	157
	<u>\$ 428</u>	<u>412</u>	<u>856</u>	<u>825</u>

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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(ii) Defined contribution plans

The contributions of the Group to the Bureau of Labor Insurance for the employee pension benefits were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating costs	\$ 2,005	1,877	3,996	3,728
Selling expenses	1,959	1,492	3,882	2,975
Administrative expenses	1,093	1,255	2,220	2,293
Research and development expenses	1,271	1,138	2,501	2,321
	<u>\$ 6,328</u>	<u>5,762</u>	<u>12,599</u>	<u>11,317</u>

(o) Taxes

(i) Income tax expense

The components of income tax expense for the six months ended June 30, 2017 and 2016, were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current tax expense				
Current period incurred	\$ 59,411	56,519	103,212	115,950
Adjustment for prior periods	(1,305)	(525)	(1,305)	(525)
Undistributed earnings additional tax at 10%	805	-	805	-
Income tax expense	<u>\$ 58,911</u>	<u>55,994</u>	<u>102,712</u>	<u>115,425</u>

(ii) Status of approval of income tax

The Company's income tax returns through 2014 have been examined and approved by the Tax Authority.

(iii) Stockholders' imputation tax credit account and tax rate

	<u>June 30,</u> <u>2017</u>	<u>December</u> <u>31, 2016</u>	<u>June 30,</u> <u>2016</u>
Unappropriated earnings of 1998 and after	\$ <u>888,490</u>	<u>1,487,805</u>	<u>932,447</u>
Balance of imputation credit account	\$ <u>276,283</u>	<u>110,951</u>	<u>158,994</u>

	<u>For the six months ended June 30</u>	
	<u>2016 (Estimated)</u>	<u>2015 (Actual)</u>
Creditable ratio for earnings distribution to R.O.C. residents	<u>18.57 %</u>	<u>12.93 %</u>

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Taxation Administration, Ministry of Finance, R.O.C., on October 17, 2013.

(p) Capital and other equity

There were no significant changes in capital and reserves for the six months ended June 30, 2017 and 2016. Please refer to Note 6(p) to the consolidated financial statements for the year ended December 31, 2016, for other related information.

(i) Capital surplus

The components of capital surplus were as follows:

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
Share capital	\$ 484	484	484
Long-term investment	408,561	404,884	377,836
	<u>\$ 409,045</u>	<u>405,368</u>	<u>378,320</u>

According to the R.O.C. Company Act amended in 2012, 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 paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual shareholders' meeting by the board of directors.

To enhance the Company's financial structure and maintain investors' equity, the Company adopts a stable dividend policy in which earnings distribution cannot be less than 50% of distributable earnings, and cash dividend payment has to be 70% of the distribution.

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

1) Legal reserve

In accordance with the Company Act amended in 2012, 10% of net income is set aside as legal reserve until it is equal to share capital. If the Company earned a profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, and the distribution is limited to the portion of legal reserve which exceeds 25% of the actual share capital.

2) Special reserve

The Company has elected 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 and unrealized revaluation increments of \$27,725. The special reserve appropriated can be reversed to the extent that the net debit balance reverses. As of June 30, 2017 and 2016, the special reserve appropriated from the undistributed earnings amounted to \$110,154 and \$110,154, respectively.

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

3) Earnings distribution

On June 16, 2017, and June 24, 2016, the Company's general meeting of shareholders resolved to appropriate to the 2016 and 2015 earning. These earnings were distributed as dividends as follows:

	2016		2015	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.80	<u>944,870</u>	3.50	<u>870,275</u>

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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## (iii) Other equity accounts (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Available- for-sale investments</b>	<b>Total</b>
Balance, January 1, 2017	\$ (2,362)	287,450	285,088
Exchange differences on translation of foreign operations	(94,386)	-	(94,386)
Share of exchange differences of associates accounted for using equity method	(9)	-	(9)
Unrealized gains (losses) on available-for-sale financial assets	-	(68,952)	(68,952)
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method	-	(425)	(425)
Balance, June 30, 2017	<u>\$ (96,757)</u>	<u>218,073</u>	<u>121,316</u>
Balance, January 1, 2016	\$ 16,160	343,851	360,011
Exchange differences on translation of foreign operations	(6,489)	-	(6,489)
Share of exchange differences of associates accounted for using equity method	(54)	-	(54)
Unrealized gains (losses) on available-for-sale financial assets	-	(80,709)	(80,709)
Unrealized gains (losses) on available-for-sale financial assets of associates accounted for using equity method	-	(2,894)	(2,894)
Balance, June 30, 2016	<u>\$ 9,617</u>	<u>260,248</u>	<u>269,865</u>

## (iv) Non-controlling interests

	<b>For the six months ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Balance, January 1	\$ 631,784	593,649
Attributable to non-controlling interests:		
Profit for the period	13,387	57,005
Exchange differences on translation of foreign operations	(47)	(12)
Unrealized loss on available-for-sale financial assets	(49,123)	(48,024)
Cash dividends received	(51,804)	(35,093)
Balance, June 30	<u>\$ 544,197</u>	<u>567,525</u>

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

## (q) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Basic earnings per share				
Profit attributable to ordinary shareholders	\$ <u>243,681</u>	<u>355,040</u>	<u>464,887</u>	<u>635,684</u>
Weighted-average number of ordinary shares	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>
	\$ <u>0.98</u>	<u>1.43</u>	<u>1.87</u>	<u>2.56</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	\$ <u>243,681</u>	<u>355,040</u>	<u>464,887</u>	<u>635,684</u>
Weighted-average number of ordinary shares	248,650	248,650	248,650	248,650
Employee stock bonus	<u>86</u>	<u>55</u>	<u>293</u>	<u>302</u>
Weighted-average number of ordinary shares (diluted)	<u>248,736</u>	<u>248,705</u>	<u>248,943</u>	<u>248,952</u>
	\$ <u>0.98</u>	<u>1.43</u>	<u>1.87</u>	<u>2.55</u>

## (r) Revenue

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Sale of goods	\$ 920,813	942,666	1,855,872	1,837,782
Rendering of service	<u>9,349</u>	<u>17,315</u>	<u>20,696</u>	<u>34,803</u>
	<u>\$ 930,162</u>	<u>959,981</u>	<u>1,876,568</u>	<u>1,872,585</u>

## (s) Remuneration for employees, and directors and supervisors

Based on the Company's amended articles of incorporation remuneration for employees, and directors and supervisors is appropriated at the rate of 1% to 8% and no more than 2%, respectively, of profit before tax. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the six months ended June 30, 2017 and 2016, remuneration of employees of \$8,695 and \$11,306, respectively, and of directors and supervisors of \$5,797 and \$11,306, respectively, was estimated and recognized as current expense. These amounts were calculated using the Company's profit before tax before remuneration of employees and of directors and supervisors for the six months ended June 30, 2017 and 2016. These benefits were charged to profit or loss under operating expenses for the six months ended June 30, 2017 and 2016. The differences, if any, between the amounts which are yet to be approved in the shareholders' meeting and those recognized in the financial statements will be treated as changes in accounting estimates and charged to profit or loss.

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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For the year ended December 31, 2016 and 2015, the remuneration of employees amounted to \$22,048 and \$22,373, respectively, and of directors and supervisors amounted to \$15,786 and \$21,468, respectively. The proposed amounts did not differ from those accrued in the financial statements for the year ended December 31, 2016 and 2015. Related information on remuneration of employees and of directors and supervisors can be accessed from the Market Observation Post System web site.

(t) Non-operating income and expenses

(i) Other income

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest income	\$ 5,566	4,901	10,237	6,447
Rental income	3,115	3,118	6,237	6,046
	<u>\$ 8,681</u>	<u>8,019</u>	<u>16,474</u>	<u>12,493</u>

(ii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Foreign exchange gain (loss)	\$ 7,266	6,679	(25,016)	(26,899)
Gain on disposal of investment	-	57,551	-	104,924
Loss on disposal of property, plant and equipment	(1,970)	-	(2,004)	(3)
Gain on reversal of uncollectable account	-	-	5,000	5,000
Other	12,732	6,204	24,169	37,201
	<u>\$ 18,028</u>	<u>70,434</u>	<u>2,149</u>	<u>120,223</u>

(iii) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest expenses	\$ 5,456	5,201	11,393	10,755

(Continued)

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

## (u) Reclassification of other comprehensive income

	<b>For the six months ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Exchange differences on translation:		
Profit (loss) for the year	\$ (94,433)	(6,501)
Share of other comprehensive income of associates accounted for under equity method:		
Profit (loss) for the year	(434)	(2,948)
Net profit (loss) recognized in other comprehensive income	<b>\$ (94,867)</b>	<b>(9,449)</b>
Net fair value change in available-for-sale financial assets recognized:		
Other comprehensive income	\$ (118,075)	(78,205)
profit or loss	-	(50,528)
Net change in fair value recognized in other comprehensive income	<b>\$ (118,075)</b>	<b>(128,733)</b>

## (v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2016.

## (i) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>
<b>June 30, 2017</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,980,000	1,996,350	1,362,742	633,608	-
Non-interest-bearing liabilities (including related parties)	1,520,330	1,520,330	1,520,330	-	-
	<b>\$ 3,500,330</b>	<b>3,516,680</b>	<b>2,883,072</b>	<b>633,608</b>	<b>-</b>

(Continued)

**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to the Consolidated Interim 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, 2016</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 2,079,010	2,105,184	1,467,918	637,266	-
Non-interest-bearing liabilities (including related parties)	<u>584,572</u>	<u>584,572</u>	<u>584,572</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,663,582</u>	<u>2,689,756</u>	<u>2,052,490</u>	<u>637,266</u>	<u>-</u>
<b>June 30, 2016</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,699,010	1,709,527	1,307,890	401,637	-
Non-interest-bearing liabilities (including related parties)	<u>1,445,897</u>	<u>1,445,897</u>	<u>1,445,897</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,144,907</u>	<u>3,155,424</u>	<u>2,753,787</u>	<u>401,637</u>	<u>-</u>

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

(ii) Currency risk

1) Exposure to currency risk

The Group's exposure to significant currency risk was from its foreign currency-denominated financial assets and liabilities as follows:

	<u>June 30, 2017</u>			<u>December 31, 2016</u>			<u>June 30, 2016</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<b>Financial assets</b>									
<u>Monetary items</u>									
USD	\$ 25,784	30.42	784,354	57,608	32.25	1,857,851	58,127	32.28	1,876,050
CNY	4,615	4.49	20,702	5,275	4.62	24,353	5,615	4.85	27,203
JPY	86,777	0.27	23,568	66,488	0.28	18,324	41,854	0.31	13,155
PHP	11,813	0.62	7,316	16,532	0.67	11,050	12,734	0.70	8,956
EUR	3,558	34.72	123,543	3,350	33.90	113,567	218	35.89	7,826
<u>Nonmonetary items</u>									
USD	47,256	30.42	1,437,531	750	32.25	24,173	547	32.28	17,650
CNY	52,807	4.49	236,891	52,206	4.62	241,037	50,805	4.85	246,151
THB	229,304	0.90	206,420	216,982	0.91	196,368	211,028	0.92	194,695
<b>Financial liabilities</b>									
<u>Monetary items</u>									
PHP	199	0.62	123	7,219	0.67	4,825	4,849	0.70	3,410

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

2) Sensitivity analysis

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

A 1% of appreciation of each major foreign currency against the Group's functional currency as of June 30, 2017 and 2016, would have increased or decreased the after-tax net income by \$7,963 and \$16,017, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the six months ended June 30, 2017 and 2016, the foreign exchange loss, including both realized and unrealized, amounted to \$25,016 and \$26,899, respectively.

(iii) Fair value of financial instruments

1) Categories 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 equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	June 30, 2017				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets	\$ 421,130	421,130	-	-	421,130
Loans and receivables					
Cash and cash equivalents	2,696,574	-	-	-	-
Notes receivable and accounts receivable (including related party)	840,027	-	-	-	-
Other receivables (including related party)	107,980	-	-	-	-
Other financial assets	765,578	-	-	-	-
Cash surrender value of life insurance	5,198	-	-	-	-
Refundable deposits	29,801	-	-	-	-
<b>Total</b>	<b>\$ 4,866,288</b>	<b>421,130</b>	<b>-</b>	<b>-</b>	<b>421,130</b>

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

	June 30, 2017				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,980,000	-	-	-	-
Notes payable and accounts payable (including related party)	122,702	-	-	-	-
Other payables (including related party)	400,954	-	-	-	-
Dividends payable	996,674	-	-	-	-
Guarantee deposit received	10,085	-	-	-	-
<b>Total</b>	<b>\$ 3,510,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	December 31, 2016				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets	\$ 539,205	539,205	-	-	539,205
Loans and receivables					
Cash and cash equivalents	2,108,713	-	-	-	-
Notes receivable and accounts receivable (including related party)	859,319	-	-	-	-
Other receivables (including related party)	46,309	-	-	-	-
Other financial assets	1,184,002	-	-	-	-
Cash surrender value of life insurance	5,198	-	-	-	-
Refundable deposits	24,001	-	-	-	-
<b>Total</b>	<b>\$ 4,766,747</b>	<b>539,205</b>	<b>-</b>	<b>-</b>	<b>539,205</b>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,079,010	-	-	-	-
Notes payable and accounts payable (including related party)	101,243	-	-	-	-
Other payables (including related party)	483,329	-	-	-	-
Guarantee deposit received	9,985	-	-	-	-
<b>Total</b>	<b>\$ 2,673,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	June 30, 2016				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets	\$ 420,500	420,500	-	-	420,500
Financial asset measured at cost-current and noncurrent	<u>26,250</u>	-	-	-	-
Subtotal	<u>446,750</u>	<u>420,500</u>	-	-	<u>420,500</u>
Loans and receivables					
Cash and cash equivalents	2,517,097	-	-	-	-
Notes receivable and accounts receivable (including related party)	830,842	-	-	-	-
Other receivables (including related party)	76,114	-	-	-	-
Other financial assets	766,187	-	-	-	-
Cash surrender value of life insurance	3,121	-	-	-	-
Refundable deposits	<u>28,422</u>	-	-	-	-
Total	<u>\$ 4,668,533</u>	<u>420,500</u>	<u>-</u>	<u>-</u>	<u>420,500</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,699,010	-	-	-	-
Notes payable and accounts payable (including related party)	93,985	-	-	-	-
Other payables (including related party)	446,544	-	-	-	-
Dividends payable	905,368	-	-	-	-
Guarantee deposit received	<u>1,936</u>	-	-	-	-
Total	<u>\$ 3,146,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

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

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

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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3) Valuation techniques for financial instruments which are not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

The expiry date of financial instruments, such as cash and cash equivalents, receivables, other financial assets, cash surrender value of life insurance, refundable deposits, bank loans, payables, and guarantee deposit received, is very close or their future price is close to carrying value. Financial instruments' fair value is estimated on the basis of their carrying value.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices.

The market prices from the main exchanges and government bond exchanges are the basis of the fair value of OTC equity instruments and debt instruments which have a quoted market price in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, only small volumes are traded, or bid-ask spreads are very wide.

If financial instruments the Group obtained are traded in active markets and meet the criteria, their fair value is determined on the basis of market quotation.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the six months ended in June 30, 2017 and 2016, so there was no transfer between levels.

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(w) to the consolidated financial statements for the year ended December 31, 2016.

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

(x) Capital management

The management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2016. Also, the management believes that there were no significant changes in the Group's capital management information as disclosed in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 6(x) to the consolidated financial statements for the year ended December 31, 2016, for other related information.

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
American Taiwan Biopharm (Thailand)	An associate
Chuang Yi Biotech Co., Ltd.	An associate
Pharmira Laboratories, Inc.	An associate (Note A)
TOT Biopharm Co., Ltd.	The entity's director is the president of the Company (Note B)
TOT Biopharm International Co., Ltd.	The entity's director is the president of the Company (Note B)
Lumosa Therapeutics Co., Ltd.	The entity's director is the president of the Company (Note B)
Center Laboratories, Inc.	The entity's director is the president of the Company (Note B)
TPG Biologics, Inc.	The entity's director is the president of the Company (Note B)
Mycenax Biotech Inc.	The entity's director is the president of the Company (Note B)
Shengbang Pharmaceutical Technology Co., Ltd.	The entity's director is the president of the Company (Note B)

Note A: The Group did not subscribe in the cash capital increase of the entity. Therefore, the Group lost its significant influence in February 2016.

Note B: The entity was no longer a related party of the Group since June 24, 2016 due to its newly elected board of directors.

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

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales transactions between the Company and related parties were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Associates	\$ 14,298	4,199	36,770	16,822
Other related parties	-	2,441	-	4,548
	<u>\$ 14,298</u>	<u>6,640</u>	<u>36,770</u>	<u>21,370</u>

- 1) Prices charged for sales transactions with offshore subsidiaries and associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.
- 2) There were no significant differences between the terms and pricing of sales transactions with related parties and those with distributors. The collection period was ninety days. If paid within one month, a cash discount of 1% was offered.
- 3) The Group sold products to other related parties and pledged \$5,000 of the certificates of deposit from those companies as collateral as of June 30, 2016.

(ii) Service revenue

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Service revenue	Associates — Lumosa Therapeutics Co., Ltd.	\$ -	408	-	2,815

The transaction terms were discussed and agreed by both sides, and revenue was collected by the stage of completion of the contract.

(iii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Group and related parties and the outstanding balances were as follows:

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Purchases	Other related parties — Center Laboratories, Inc.	\$ -	9,193	-	20,743

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions was sixty days or one month, which is similar to that of other vendors.

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
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## (iv) Rental revenue

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Rental revenue	Associates	\$ 783	792	1,566	1,240
	— Chuang Yi Biotech Co., Ltd.				
	Other related parties	-	-	-	172
		<u>\$ 783</u>	<u>792</u>	<u>1,566</u>	<u>1,412</u>

The rental was based on recent market transactions on arm's-length terms.

## (v) Rental expense

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Rental expense	Other related parties	\$ -	661	-	1,323
	— TPG Biologics, Inc.				

The rental was based on recent market transactions on arm's-length terms.

## (vi) Other income

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Other income	Associates	\$ 4,945	253	7,443	2,373
	— American Taiwan Biopharm				
	Other related parties				
	— TOT Biopharm International Co., Ltd.	-	(2,812)	-	22,538
		<u>\$ 4,945</u>	<u>(2,559)</u>	<u>7,443</u>	<u>24,911</u>

- 1) Based on management services agreements, associates pay the Company for development in the pharmaceutical industry or registration of pharmaceutical products.
- 2) The credit term for revenue from development in the pharmaceutical industry or registration of pharmaceutical products is three months.

## (vii) Operating expense

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Research expense	Other related parties	\$ -	14,923	-	18,004
	— Mycenax Biotech Inc.				

There were no significant differences between the terms with related parties and those with other providers.

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

<u>Recognized item</u>	<u>Category</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes receivable	Other related parties	\$ -	-	558
Accounts receivable	Associates	\$ 26,285	13,668	8,608
	Other related parties	-	-	500
		<u>\$ 26,285</u>	<u>13,668</u>	<u>9,108</u>
Other receivables	Associates	\$ 2,510	1,573	3,437
	Other related parties — TOT Biopharm Co., Ltd.	14,411	14,411	14,411
	Other related parties	2,695	2,715	326
		<u>\$ 19,616</u>	<u>18,699</u>	<u>18,174</u>
Refundable deposit paid	Other related parties — Center Laboratories, Inc.	\$ -	-	4,126
	Other related parties	-	582	582
		<u>\$ -</u>	<u>582</u>	<u>4,708</u>
Accounts payable	Other related parties	\$ -	-	7,260
Other payables	Associates	\$ -	-	2,935
	Other related parties	6,150	6,150	7,875
		<u>\$ 6,150</u>	<u>6,150</u>	<u>10,810</u>

## (d) Key management personnel compensation

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 14,545	12,090	35,763	23,846
Post-employment benefits	323	251	562	500
	<u>\$ 14,868</u>	<u>12,341</u>	<u>36,325</u>	<u>24,346</u>

(Continued)

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

**(8) Pledged assets:**

Asset	Purpose of pledge	June 30, 2017	December 31, 2016	June 30, 2016
Investment property	Bank loans, letters of credit	\$ -	-	60,508
Other financial asset—current	Grants for research and development project	-	635	5,466
Other financial asset—noncurrent	Provisional guarantee	<u>120,010</u>	<u>120,010</u>	<u>120,010</u>
		<u>\$ 120,010</u>	<u>120,645</u>	<u>185,984</u>

**(9) Commitments and contingencies:**

- (a) The Group signed an agreement with Taiwan Liposome Company, Ltd. for Liposome research in October 1997. The Group obtained an exclusive license to produce and sell in 2001, and paid the royalty by a certain proportion of pre-tax net sales. The payment based on such agreement amounted to \$19,493 and \$18,352 for the six months ended June 30, 2017 and 2016, respectively.
- (b) Due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$663,828, \$678,455 and \$696,871, and the unpaid amount was \$334,570, \$320,534 and \$174,214 as of June 30, 2017, December 31, 2016, and June 30, 2016, respectively.
- (c) As of June 30, 2017, December 31, 2016, and June 30, 2016, performance bonds from financial institutions for the sale of medicine amounted to \$31,503, \$17,659 and \$18,355, respectively.
- (d) In June 2015, the Taipei District Prosecutors Office filed a lawsuit against the ex-chairman of the company, Rong-Jin Lin, for the offense of breach of trust under the Securities and Exchange Act. This lawsuit is being heard by the Taipei District Court. The Company cannot predict the result of the lawsuit.
- (e) On January 19, 2016, the Securities and Futures Investors Protection Center filed a suit to discharge the Company's ex-chairman, Rong-Jin Lin, in accordance with Paragraph 1 of Article 10-1 of the Securities Investor and Futures Trader Protection Act. The lawsuit was withdrawn by the Securities and Futures Investors Protection Center in August 2016.
- (f) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.
- (g) On May 30, 2016, Janssen Pharmaceutical NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha AG. The case was suspended.
- (h) On July 1, 2016, Center Laboratories, Inc. filed a lawsuit against the Company in the Taipei District Court to confirm the validity of the agreement it had entered into with the Company regarding a generic drug called Risperidone. The Company cannot predict the result of the lawsuit.

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

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Others:

- (a) The nature of employee benefits, depreciation and amortization expenses, categorized by function, was as follows:

By item	For the three months ended June 30					
	2017			2016		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 57,819	128,576	186,395	52,008	117,209	169,217
Health and labor insurance	4,509	8,112	12,621	3,996	7,126	11,122
Pension	2,169	4,587	6,756	2,067	4,107	6,174
Others	1,420	17,916	19,336	3,449	21,958	25,407
Depreciation	26,068	7,715	33,783	14,919	6,449	21,368
Amortization	87	2,011	2,098	364	4,220	4,584

By item	For the six months ended June 30					
	2017			2016		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 105,666	261,401	367,067	98,287	234,914	333,201
Health and labor insurance	8,741	16,645	25,386	7,831	14,587	22,418
Pension	4,324	9,131	13,455	4,109	8,033	12,142
Others	3,688	30,566	34,254	7,346	37,938	45,284
Depreciation	51,801	15,469	67,270	29,231	15,906	45,137
Amortization	174	3,980	4,154	729	8,677	9,406

- (b) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

- (c) Others

- (i) The Group donated \$28,312 and \$20,340 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage in the six months ended June 30, 2017 and 2016, respectively.
- (ii) TSH Biopharm Co., Ltd. signed a grant agreement, "TRIA11 Osteoporosis Treatment Biopharmaceutical Program", with the Institute for Information Industry in October 2014. The total budget for the program amounted to \$90,000, and the period was from May 1, 2014, to January 31, 2017. The grant for the program amounted to \$22,500. Grant funds of \$22,498 had been received, and the actual expenditure amounted to \$22,498, as of June 30, 2017.

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

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 parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Maximum limit of fund financing (Note 3)
													Item	Value	
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	Receivables from related parties	Yes	USD 51,714 USD 1,700	51,714 USD 1,700	51,714 USD 1,700	0.5%	2	-	Operating capital	-	-	241,037 CNY 52,206	241,037 CNY 52,206
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	USD 76,050 USD 2,500	76,050 USD 2,500	-	0.9%	2	-	Operating capital	-	-	96,415 CNY 20,882	96,415 CNY 20,882
2	Xudong Haipu International Co., Ltd.	The Company	Receivables from related parties	Yes	USD 517,140 USD 17,000	517,140 USD 17,000	-	0.9%	2	-	Operating capital	-	-	599,322	599,322

The exchange rate of USD to NTD as of the reporting date is 1:30.42, and the average exchange rate of USD to NTD as of the reporting date is 1:30.658.

The exchange rate of CNY to NTD as of the reporting date is 1:4.486, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.472.

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

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

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

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

Note 3): The total amount available for lending purposes shall not exceed 40% of the lending company's net worth in the latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of June 30, 2017.

Note 5): The amounts were approved by the board of directors.

Note 6): The amounts in foreign currencies were translated based on the spot exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 2017 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd.	Note	Available-for-sale financial assets – noncurrent	1,600	65,600	1.68 %	65,600
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd.	Note	"	4,200	172,200	4.42 %	172,200
"	Pharmira Laboratories, Inc.	-	"	2,625	183,330	2.51 %	183,330

(In Thousands of New Taiwan Dollars)

Note : A director of the Group is its chairman, who resigned on March 24, 2016.

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**  
**Notes to Consolidated Interim 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\$300 million or 20% of the capital stock:None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments:None
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Worldco International Co., Ltd.	I	Other receivables	30,293	By contract	0.32%
0	"	"	I	Commission revenue	16,041	"	0.85%
0	"	"	I	Other payables	8,125	"	0.09%
0	"	ISH Biopharm Co., Ltd.	I	Sale	50,843	"	2.71%
0	"	"	I	Other receivables	2,673	"	0.03%
0	"	"	I	Rental revenue	2,080	"	0.11%
0	"	"	I	Other income	4,045	"	0.22%
0	"	"	I	Accounts receivable	9,814	"	0.11%
0	"	American Taiwan Biopharma Phils Inc.	I	Accounts receivable	4,927	"	0.05%
0	"	"	I	Other receivables	5,840	"	0.06%
0	"	"	I	Sale	2,352	"	0.13%
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd.	I	Other receivables	51,714	"	0.55%
1	"	"	I	Other receivables	40,839	"	0.44%
1	"	"	I	Other payables	9,089	"	0.10%

(In Thousands of New Taiwan Dollars)

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

Note 1): The numbering is as follows:

1. "0" represents the parent company.
  2. Subsidiaries are sequentially numbered from 1 by company.
- Note 2): The types of transaction between the parent company and subsidiaries are as follows:
1. Transactions from parent company to subsidiary.
  2. Transactions from subsidiary to parent company.
  3. Transactions between subsidiaries.

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

Note 4): The above table only discloses the related-party transactions, with each amounting to at least NT\$1,000 thousand; transactions which were less than NT\$1,000 thousand were not disclosed.

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2017 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2017		Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership				
The Company	Xudong Haijau International Co., Ltd.	Cayman Is.	businesses and products	303,998	303,998	23,000	100.00 %	1,408,234	(5,089)	(5,089)	Subsidiary
"	Worldco International Co., Ltd.	Hong Kong	Investing activities	158,254	158,254	39,600	100.00 %	236,891	2,685	2,685	Subsidiary
"	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(1,374)	(2,887)	(2,511)	Subsidiary
"	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	705,450	31,622	17,860	Subsidiary
"	PharmaEnigntc, Inc.	Taiwan	Developing chemical medicine	371,070	371,070	23,640	19.28 %	646,892	(161,010)	(31,048)	Investments accounted for using equity method
"	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	201,310	28,435	11,374	Investments accounted for using equity method
"	Gilead International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	28,026	34,909	13,963	Investments accounted for using equity method
"	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	82,059	6,326	27.54 %	49,714	(36,498)	(10,051)	Investments accounted for using equity method

(In Thousands of New Taiwan Dollars)

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**TTY BIOPHARM COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to Consolidated Interim 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:

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, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2017	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.	Marketing consulting regarding chemical medicine	USD 310,284	( 2 )	323,433	-	-	323,433	774	100 %	774	(67,882)	-
Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling chemical medicine	CNY 10,200	( 2 )	90,303	-	-	20,130	173	100 %	173	(15,132)	-
		CNY 53,383	( 2 )	CNY 90,303			CNY 20,130	(121)		(121)	49,633	
		CNY 11,900						(27)		(27)	CNY 11,064	

The exchange rate of USD to NTD as of the reporting date is 1:30.42, and the average exchange rate of USD to NTD as of the reporting date is 1:30.658.

The exchange rate of CNY to NTD as of the reporting date is 1:4.486, and the average exchange rate of CNY to NTD as of the reporting date is 1:4.472.

Note 1): There are four ways to invest in Mainland China, and only the categories are identified.

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

Note 2): The investment income (loss) is recognized on the basis of a financial report not reviewed by a CPA.

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

Note 3): The amounts are presented in New Taiwan Dollars. Recognized investment gain (loss) and the carrying value of investment as of the reporting date in foreign currencies were translated based on the average exchange rate during the reporting period and the exchange rate at the reporting date, respectively.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 423,982	NTD 1,421,466 (USD 46,728 )	NTD 3,169,588

(iii) Significant transactions:

Please refer to Note 7.

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

**(14) Segment information:**

**(a) General information**

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

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

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

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

For the Three Months June 30, 2017	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	\$ 578,443	56,129	157,506	127,245	7,365	3,474	-	930,162
Intersegment revenues	35,270	-	-	-	-	-	(35,270)	-
Total revenue	<u>\$ 613,713</u>	<u>56,129</u>	<u>157,506</u>	<u>127,245</u>	<u>7,365</u>	<u>3,474</u>	<u>(35,270)</u>	<u>930,162</u>
Reportable segment profit or loss	<u>\$ 222,093</u>	<u>13,760</u>	<u>62,333</u>	<u>23,387</u>	<u>(1,985)</u>	<u>(139)</u>	<u>(8,614)</u>	<u>310,835</u>
For the Three Months June 30, 2016								
Revenue:								
Revenue from external customers	\$ 642,363	48,166	124,004	137,614	4,006	3,828	-	959,981
Intersegment revenues	20,834	-	-	-	-	-	(20,834)	-
Total revenue	<u>\$ 663,197</u>	<u>48,166</u>	<u>124,004</u>	<u>137,614</u>	<u>4,006</u>	<u>3,828</u>	<u>(20,834)</u>	<u>959,981</u>
Reportable segment profit or loss	<u>\$ 339,341</u>	<u>17,811</u>	<u>46,533</u>	<u>81,134</u>	<u>10,027</u>	<u>(376)</u>	<u>(50,978)</u>	<u>443,492</u>
For the six Months June 30, 2017								
Revenue:								
Intersegment revenues	\$ 1,178,995	106,711	316,686	241,160	26,240	6,776	-	1,876,568
Interest revenue	69,235	-	-	-	-	-	(69,235)	-
Total revenue	<u>\$ 1,248,230</u>	<u>106,711</u>	<u>316,686</u>	<u>241,160</u>	<u>26,240</u>	<u>6,776</u>	<u>(69,235)</u>	<u>1,876,568</u>
Reportable segment profit or loss	<u>\$ 406,940</u>	<u>29,070</u>	<u>124,600</u>	<u>38,611</u>	<u>(2,404)</u>	<u>(2,887)</u>	<u>(12,944)</u>	<u>580,986</u>
For the six Months June 30, 2016								
Revenue:								
Intersegment revenues	\$ 1,236,064	101,409	236,125	259,112	31,839	8,036	-	1,872,585
Interest revenue	60,701	3,128	-	-	-	-	(63,829)	-
Total revenue	<u>\$ 1,296,765</u>	<u>104,537</u>	<u>236,125</u>	<u>259,112</u>	<u>31,839</u>	<u>8,036</u>	<u>(63,829)</u>	<u>1,872,585</u>
Reportable segment profit or loss	<u>\$ 601,091</u>	<u>39,940</u>	<u>94,918</u>	<u>145,023</u>	<u>(21,559)</u>	<u>153</u>	<u>(51,452)</u>	<u>808,114</u>
Reportable segment assets								
Balance on June 30, 2017	<u>\$ 8,131,604</u>	<u>328,227</u>	<u>188,732</u>	<u>1,468,329</u>	<u>1,679,965</u>	<u>13,655</u>	<u>(2,479,498)</u>	<u>9,331,014</u>
Balance on December 31, 2016	<u>\$ 7,791,524</u>	<u>553,953</u>	<u>206,643</u>	<u>1,567,234</u>	<u>1,760,966</u>	<u>17,802</u>	<u>(2,607,817)</u>	<u>9,290,305</u>
Balance on June 30, 2016	<u>\$ 8,029,102</u>	<u>463,369</u>	<u>183,743</u>	<u>1,503,891</u>	<u>1,801,356</u>	<u>16,526</u>	<u>(3,005,290)</u>	<u>8,992,697</u>