

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2019 and 2018**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) Application of new, revised or amended standards and interpretations	8~9
(4) Summary of significant accounting policies	9~13
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	13
(6) Explanation of significant accounts	14~40
(7) Related-party transactions	40~41
(8) Pledged assets	41
(9) Commitments and contingencies	42
(10) Losses Due to Major Disasters	42
(11) Subsequent Events	42
(12) Other	43
(13) Other disclosures	
(a) Information on significant transactions	44~48
(b) Information on investees	49
(c) Information on investment in mainland China	50~51
(14) Segment information	52



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Independent Auditors' Review Report

To the Board of Directors
TTY Biopharm Company Limited:

Introduction

We have reviewed the accompanying consolidated balance sheets of TTY Biopharm Company Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) as of March 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 6(g), the investments accounted for using equity method of the Group which amounted to \$330,060 thousand and \$310,880 thousand as of March 31, 2019 and 2018, respectively, and the related investment income (loss) of \$2,433 thousand and \$(2,356) thousand for the three months ended March 31, 2019 and 2018, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of PharmaEngine, Inc., which represented investment in accounted for using the equity method of the Company. The financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for PharmaEngine, Inc., is based solely on the review report of another auditor. The investment in PharmaEngine, Inc. accounted for using the equity method amounted to \$566,602 thousand and \$692,875 thousand, constituting 6.20% and 7.51% of the consolidated total assets as of March 31, 2019 and 2018, respectively, and the share of profit (loss) of associates accounted for using the equity method amounted to \$4,208 thousand and \$(8,807) thousand, constituting 1.12% and (2.56)% of total profit before tax, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)

May 10, 2019

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2019 and 2018

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2019, December 31, 2018, and March 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a) and (x))	\$ 2,442,153	28	2,372,294	27	2,551,757	28
1120 Current financial assets at fair value through other comprehensive income (note 6(c) and (x))	135,084	1	132,560	1	177,240	2
1150 Notes receivable, net (note 6(d), (x) and 7)	33,782	-	40,063	-	56,459	1
1170 Accounts receivable, net (note 6(d) and (x))	937,588	10	837,003	9	793,851	9
1180 Accounts receivable due from related parties, net (note 6(d), (x) and 7)	20,866	-	16,156	-	14,659	-
1200 Other receivables, net (note 6(e), (x) and 7)	51,284	1	76,821	1	44,115	-
130X Inventories (note 6(f))	703,667	8	750,888	8	635,006	7
1410 Prepayments	25,789	-	23,749	-	23,433	-
1476 Other current financial assets (note 6(a), (l), and (x))	315,435	3	398,271	4	379,578	4
1470 Other current assets (note 6(l))	8,947	-	6,796	-	7,263	-
	<u>4,674,595</u>	<u>51</u>	<u>4,654,601</u>	<u>50</u>	<u>4,683,361</u>	<u>51</u>
Non-current assets:						
1510 Non-current financial assets at fair value through profit or loss (note 6(b) and (x))	5,865	-	5,496	-	382	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c) and (x))	397,988	4	322,276	4	191,741	2
1550 Investments accounted for using equity method, net (note 6(g) and (x))	896,662	10	901,648	11	1,003,755	11
1600 Property, plant and equipment (note 6(i))	2,444,393	27	2,474,331	28	2,533,190	28
1760 Investment property, net (note 6(j))	102,561	1	88,150	1	89,064	1
1780 Intangible assets (note 6(k))	148,721	2	153,188	2	168,826	2
1840 Deferred tax assets	37,199	-	38,072	-	30,763	-
1915 Prepayments for business facilities	187,463	2	188,633	2	170,952	2
1920 Refundable deposits paid (note 6(x))	29,814	-	26,252	-	28,321	-
1981 Cash surrender value of life insurance (note 6(x) and 8)	13,357	-	13,357	-	7,275	-
1984 Other non-current financial assets (note 6(l), (x) and 8)	153,601	2	143,678	2	124,680	1
1990 Other non-current assets (note 6(l))	44,079	1	43,453	-	193,454	2
	<u>4,461,703</u>	<u>49</u>	<u>4,398,534</u>	<u>50</u>	<u>4,542,403</u>	<u>49</u>
Total assets	<u>\$ 9,136,298</u>	<u>100</u>	<u>9,053,135</u>	<u>100</u>	<u>9,225,764</u>	<u>100</u>
Liabilities and Equity						
Current liabilities:						
2100 Short-term borrowings (note 6(m) and (x))	\$ 950,000	10	1,150,000	13	1,050,000	11
2130 Contract liabilities-current (note 6(t))	9,978	-	6,405	-	26,023	-
2150 Notes payable (note 6(x))	18,738	-	3,761	-	13,309	-
2160 Notes payable to related parties (note 6(x) and 7)	7	-	-	-	19	-
2170 Accounts payable (note 6(x))	107,662	1	154,621	2	97,747	1
2180 Total accounts payable to related parties (note 6(x) and 7)	-	-	14,382	-	-	-
2200 Other payables (note 6(x))	379,179	4	469,037	5	461,438	5
2230 Current tax liabilities	207,144	2	132,286	1	208,597	2
2300 Other current liabilities	40,554	-	41,391	-	27,618	-
2320 Long-term liabilities, current portion (note 6(n) and (x))	-	-	-	-	300,000	3
	<u>1,713,262</u>	<u>17</u>	<u>1,971,883</u>	<u>21</u>	<u>2,184,751</u>	<u>22</u>
Non-current liabilities:						
2540 Long-term borrowings (note 6(n) and (x))	350,000	4	350,000	4	250,000	3
2570 Deferred tax liabilities	278,723	3	278,723	3	298,136	3
2640 Net defined benefit liability, non-current	58,455	1	58,459	1	54,339	1
2645 Guarantee deposits received (note 6(x))	2,957	-	2,445	-	6,047	-
2670 Other non-current liabilities	3,750	-	-	-	-	-
	<u>693,885</u>	<u>8</u>	<u>689,627</u>	<u>8</u>	<u>608,522</u>	<u>7</u>
	<u>2,407,147</u>	<u>25</u>	<u>2,661,510</u>	<u>29</u>	<u>2,793,273</u>	<u>29</u>
Equity attributable to owners of parent (note 6(r)):						
Share capital:						
Capital stock	2,486,500	28	2,486,500	28	2,486,500	28
Capital surplus:						
Capital surplus	337,782	4	348,819	4	393,203	4
Retained earnings:						
Legal reserve	857,418	9	857,418	9	722,945	8
Special reserve	110,154	1	110,154	1	110,154	1
Unappropriated retained earnings	2,248,100	25	1,954,321	22	2,014,534	22
Other equity interest	81,841	1	46,821	1	52,470	1
	<u>6,121,795</u>	<u>68</u>	<u>5,804,033</u>	<u>65</u>	<u>5,779,806</u>	<u>64</u>
Equity attributable to the parent company:						
Non-controlling interests (note 6(r))	607,356	7	587,592	7	652,685	7
	<u>6,729,151</u>	<u>75</u>	<u>6,391,625</u>	<u>71</u>	<u>6,432,491</u>	<u>71</u>
Total liabilities and equity	<u>\$ 9,136,298</u>	<u>100</u>	<u>9,053,135</u>	<u>100</u>	<u>9,225,764</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING
STANDARDS**

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2019 and 2018

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

		For the three months ended March 31			
		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (note 6(t) and 7)	\$ 1,114,608	100	1,040,455	100
5000	Operating costs (note 6(f), (p) and 12)	<u>375,208</u>	<u>34</u>	<u>342,465</u>	<u>33</u>
	Gross profit	739,400	66	697,990	67
5910	Less: Unrealized profit (loss) from sales	8,807	1	6,516	1
5920	Add: Realized profit (loss) from sales	<u>7,046</u>	<u>(1)</u>	<u>6,346</u>	<u>(1)</u>
	Gross profit, net	<u>737,639</u>	<u>66</u>	<u>697,820</u>	<u>67</u>
6000	Operating expenses (note 6(p) and 12):				
6100	Selling expenses	232,530	21	225,584	22
6200	Administrative expenses	88,550	8	85,260	8
6300	Research and development expenses	73,465	7	76,363	7
6450	Reversal of provision for bad debt expense	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>394,655</u>	<u>36</u>	<u>387,207</u>	<u>37</u>
	Net operating income	<u>342,984</u>	<u>30</u>	<u>310,613</u>	<u>30</u>
	Non-operating income and expenses (note 6(v) and 7):				
7010	Other income	12,748	1	4,380	-
7020	Other gains and losses, net	17,212	2	45,582	4
7050	Finance costs, net	(3,559)	-	(4,981)	-
7070	Share of profit (loss) of associates accounted for using equity method, net (note 6(g))	<u>6,641</u>	<u>1</u>	<u>(11,163)</u>	<u>(1)</u>
		<u>33,042</u>	<u>4</u>	<u>33,818</u>	<u>3</u>
	Profit before tax	376,026	34	344,431	33
7950	Less: Income tax expenses	<u>74,647</u>	<u>7</u>	<u>76,767</u>	<u>7</u>
	Profit for the period	<u>301,379</u>	<u>27</u>	<u>267,664</u>	<u>26</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	28,964	3	80,260	8
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>28,964</u>	<u>3</u>	<u>80,260</u>	<u>8</u>
8360	Components of other comprehensive income (loss) that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	14,983	1	(21,515)	(2)
8370	Share of other comprehensive income (loss) of associates accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	3,237	-	(2,604)	-
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that may be reclassified to profit or loss	<u>18,220</u>	<u>1</u>	<u>(24,119)</u>	<u>(2)</u>
8300	Other comprehensive income	<u>47,184</u>	<u>4</u>	<u>56,141</u>	<u>6</u>
	Total comprehensive income for the period	<u>\$ 348,563</u>	<u>31</u>	<u>323,805</u>	<u>32</u>
	Profit attributable to:				
	Owners of parent	\$ 293,779	26	255,944	26
	Non-controlling interests	<u>7,600</u>	<u>1</u>	<u>11,720</u>	<u>-</u>
		<u>\$ 301,379</u>	<u>27</u>	<u>267,664</u>	<u>26</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ 328,799	29	285,981	28
	Non-controlling interests	<u>19,764</u>	<u>2</u>	<u>37,824</u>	<u>4</u>
		<u>\$ 348,563</u>	<u>31</u>	<u>323,805</u>	<u>32</u>
	Earnings per share, net of tax (note 6(s))				
	Basic earnings per share	<u>\$ 1.18</u>		<u>1.03</u>	
	Diluted earnings per share	<u>\$ 1.18</u>		<u>1.03</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Retained earnings					Total other equity interest				
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
Balance on January 1, 2018	\$ 2,486,500	396,113	722,945	110,154	1,758,633	(99,734)	-	122,165	22,431	6,111,637
Effects of retrospective application	-	-	-	-	(43)	-	-	(122,165)	-	(41)
Equity at beginning of period after adjustments	2,486,500	396,113	722,945	110,154	1,758,590	(99,734)	-	-	22,433	6,111,596
Profit for the period	-	-	-	-	255,944	-	-	-	-	267,664
Other comprehensive income	-	-	-	-	-	(21,500)	-	-	30,037	26,104
Total comprehensive income	-	-	-	-	255,944	(21,500)	-	-	30,037	56,141
Other changes in capital surplus:	-	-	-	-	255,944	(21,500)	-	-	30,037	37,824
Changes in equity of associates accounted for using equity method	-	1,172	-	-	-	-	-	-	-	1,172
Disposal of investments accounted for using equity method	-	(4,082)	-	-	-	-	-	-	-	(4,082)
Balance on March 31, 2018	\$ 2,486,500	393,203	722,945	110,154	2,014,534	(121,234)	173,704	-	52,470	6,432,491
Balance on January 1, 2019	\$ 2,486,500	348,819	857,418	110,154	1,954,321	(56,694)	103,515	-	46,821	6,391,625
Profit for the period	-	-	-	-	293,779	-	-	-	-	7,600
Other comprehensive income	-	-	-	-	-	14,982	20,038	-	35,020	12,164
Total comprehensive income	-	-	-	-	293,779	14,982	20,038	-	35,020	19,764
Other changes in capital surplus:	-	-	-	-	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	(11,037)	-	-	-	-	-	-	-	(11,037)
Balance on March 31, 2019	\$ 2,486,500	337,782	857,418	110,154	2,248,100	(41,712)	123,553	-	81,841	6,729,151

See accompanying notes to financial statements.

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**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING
STANDARDS**

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from operating activities:		
Profit before tax	\$ 376,026	344,431
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	34,204	31,920
Amortization expense	4,897	1,821
Allowance for expected credit losses	110	-
Net income (loss) on financial assets or liabilities at fair value through profit or loss	(369)	13
Interest expense	3,559	4,981
Interest income	(9,753)	(1,596)
Share of (profit) loss of associates accounted for using equity method	(6,641)	11,163
Loss on disposal of property, plant and equipment	118	31
Gain on disposal of investments	-	(58,845)
Unrealized profit (loss) from sales	8,807	6,516
Realized loss (profit) from sales	(7,046)	(6,346)
Allocation of deferred income	(186)	(253)
Total adjustments to reconcile profit (loss)	27,700	(10,595)
Changes in operating assets and liabilities:		
Decrease in notes receivable	6,281	16,880
(Increase) decrease in accounts receivable	(105,409)	116,254
Decrease (increase) in other receivable	24,882	(1,288)
Decrease in inventories	47,225	58,633
Increase in prepayments	(2,034)	(12,669)
Increase in other current assets	(1,602)	-
Increase in contract liabilities	3,573	4,471
Increase (decrease) in notes payable	14,984	(46,539)
(Decrease) increase in accounts payable	(61,345)	2,957
Decrease in other payable	(89,926)	(35,037)
Decrease in other current liabilities	(850)	(158)
(Decrease) increase in net defined benefit liability	(4)	29
Total adjustments	(136,525)	92,938
Cash inflow generated from operations	239,501	437,369
Interest received	10,440	2,895
Dividends received	7,436	-
Interest paid	(3,643)	(5,248)
Income taxes paid	(97)	(153)
Net cash flows from operating activities	253,637	434,863
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(49,271)	(2,530)
Proceeds from disposal of investments accounted for using equity method	-	96,308
Acquisition of property, plant and equipment	(12,701)	(12,109)
Proceeds from disposal of property, plant and equipment	44	20
(Increase) decrease in refundable deposits paid	(3,562)	43
Acquisition of intangible assets	(431)	(11,488)
Decrease in other financial assets	72,913	1,368,429
Increase in prepayments for business facilities	(4,310)	(6,407)
Increase in other non-current assets	(628)	(149,825)
Net cash flows from investing activities	2,054	1,282,441
Cash flows used in financing activities:		
Increase in short-term loans	950,000	1,507,500
Decrease in short-term loans	(1,150,000)	(2,107,500)
Increase (decrease) in guarantee deposits received	511	(4,039)
Net cash flows used in financing activities	(199,489)	(604,039)
Effect of exchange rate changes on cash and cash equivalents	13,657	(2,882)
Net increase in cash and cash equivalents	69,859	1,110,383
Cash and cash equivalents at beginning of period	2,372,294	1,441,374
Cash and cash equivalents at end of period	\$ 2,442,153	2,551,757

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

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

(1) Company history

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on May 10, 2019.

(3) Application of new, revised or amended standards and interpretations:

- (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, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB

(Continued)

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and provide guidance to help improve consistency in the application of the concept whenever it is used in IFRS standards.

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” which are endorsed and issued by FSC and do not include all of the information required by the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued by FSC (hereinafter referred to as the “IFRS endorsed by the FSC”) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant policies adopted in the consolidated financial statements are consistent with Note 4 in the consolidated financial statement for the year ended December 31, 2018.

(Continued)

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

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Xudong Haipu International Co., Ltd.	Investing activities	100.00 %	100.00 %	100.00 %	
The Company	Worldco International Co., Ltd.	Investing activities and selling medicine	100.00 %	100.00 %	100.00 %	
The Company	American Taiwan Biopharma Philippines Inc.	Selling medicine	87.00 %	87.00 %	87.00 %	
The Company	TSH Biopharm Co., Ltd.	Selling medicine	56.48 %	56.48 %	56.48 %	
The Company	EnhanX Inc.	Developing medicine	20.83 %	20.83 %	29.41 %	(Note 1)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	100.00 %	100.00 %	100.00 %	
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Inc.	Developing medicine	29.17 %	29.17 %	- %	(Note 1)
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	100.00 %	- %	(Note 2)
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	- %	(Note 3)
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	- %	(Note 3)

(Note 1) In October 2018, the subsidiary, Xudong Haipu International Co., Ltd. increased the capital of EnhanX Inc. by cash amounted to \$70,000, which increased the shareholding ratio of the Group to 50%.

(Note 2) In September 2018, Xudong Haipu International Co., Ltd. established TTY Biopharm Korea Co., Ltd. as a wholly owned subsidiary, and thus TTY Biopharm Korea Co., Ltd. is listed as a subsidiary of the consolidated financial statement.

(Note 3) In September 2018, the Group established TTY Biopharm Mexico S.A. de C.V., in which Xudong Haipu International Co., Ltd. and Worldco International Co., Ltd. both holds 50% voting rights, and thus TTY Biopharm Mexico S.A. de C.V. is listed as a subsidiary of the consolidated financial statement.

(Continued)

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

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

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

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

- 1) the contract involves an identified asset, which can be either explicitly or implicitly specified in the contract, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) The Group has the right to direct the use of an asset if either:
 - the customer has the right to determine how and for what purpose the asset is used throughout the period; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined, and:
 - the customer has the right to operate the asset, while the supplier does not have the right to change the operating instructions; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

When the lease is established or when the contract is being reassessed to determine whether there is lease, the Group allocates the price listed in the contract to individual lease components.

(ii) As a lessee

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

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

(Continued)

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

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

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

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

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

- 1) there is a change in future lease payments arising from the change in an index or rate used to determine those payments; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of the Group's assessment of whether it will exercise a purchase, extension or termination option; or
- 4) there is a change in the estimate of whether to exercise the extension or termination option; or
- 5) there is any lease modifications.

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

In regards to the modification to reduce the scope of the lease, the book value for the right-of-use asset is decreased to reflect the partial or full termination of the lease. The difference between those adjustments is recognized in profit or loss.

The Group assesses the right-of-use asset and lease liability are non-significant; therefore, they are listed under "property, plant and equipment", "other current liabilities" and "other non-current liabilities" in the balance sheet.

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

(Continued)

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

(iii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease by reference to the right-of-use asset arising from the head lease, and not by reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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

(d) Income taxes

The income tax expense have been prepared and disclosed in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is recognized based on the average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and it is fully recognized as tax expense for the current period.

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

(e) Employee benefits

The pension cost for the interim period was calculated and disclosed on a year-to-date basis by using the actuarial pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with Note 5 of the consolidated financial statements for the year ended December 31, 2018.

(Continued)

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

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in Note 6 of the consolidated financial statements for the year ended December 31, 2018.

(a) Cash and cash equivalents

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Cash on hand	\$ 2,881	2,864	2,869
Cash in banks	2,404,016	2,309,430	2,355,633
Time deposits	<u>35,256</u>	<u>60,000</u>	<u>193,255</u>
	<u>\$ 2,442,153</u>	<u>2,372,294</u>	<u>2,551,757</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, please see Note 6(l).
- (iii) Please refer to Note 6(x) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Designated as financial assets measured at fair value through profit or loss			
Domestic preferred stock ETFS	<u>\$ 5,865</u>	<u>5,496</u>	<u>382</u>

- (i) Please refer to Note 6(v) for the amount of profit or loss recognized based on fair value.
- (ii) The above financial assets were not pledged as collateral.

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Equity instrument measured at fair value through other comprehensive income:			
Domestic common stock listed in Stock Exchange	\$ 18,295	18,815	2,510
Domestic common stock listed in Taipei Exchange	180,349	176,580	244,760
Domestic common stock listed in emerging stock market	105,657	83,081	101,351
Domestic listed preferred stock	179,500	176,360	20,360
International listed preferred stock	<u>49,271</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 533,072</u>	<u>454,836</u>	<u>368,981</u>

(Continued)

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

- (i) The Group holds such equity instrument as long-term strategic investments that are not held for trading purposes; thus, they are categorized as equity instrument measured at fair value through other comprehensive income.
- (ii) In February 2019, TSH Biopharm Co., Ltd. acquired the preferred stock was issued by CellMax Ltd.
- (iii) Please refer to Note 6(x) for credit and market risk information.
- (iv) The above financial assets were not pledged as collateral.
- (d) Notes receivable and accounts receivable (including related parties)

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
Notes receivable	\$ 33,782	40,063	56,459
Accounts receivable	965,181	864,486	827,190
Accounts receivable-related parties	20,866	16,156	14,659
Less: Allowance for expected credit losses	<u>(27,593)</u>	<u>(27,483)</u>	<u>(33,339)</u>
	<u>\$ 992,236</u>	<u>893,222</u>	<u>864,969</u>

As of March 31, 2019, the Group estimated the expected credit losses for all of notes receivable and accounts receivable using a simple approach. Notes receivable and accounts receivable are grouped by the customers' ability to pay on each contract as well as its forward-looking information. An analysis of expected credit loss on notes and accounts receivable as of March 31, 2019 are as follows:

	<u>March 31, 2019</u>		
	<u>Face value of</u> <u>notes receivable</u> <u>and accounts</u> <u>receivable</u>	<u>Weighted</u> <u>average</u> <u>loss rate</u>	<u>Allowance for</u> <u>expected credit</u> <u>losses</u>
Not yet overdue	\$ 988,764	0%~1%	6,638
Past due less than 90 days	9,628	8%~10%	818
Past due 91-180 days	2,602	50%~52%	1,302
Past due more than 181 days	<u>18,835</u>	100%	<u>18,835</u>
	<u>\$ 1,019,829</u>		<u>27,593</u>

(Continued)

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

	December 31, 2018		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 896,800	0%~1%	8,585
Past due less than 90 days	5,070	3%~5%	223
Past due 91-180 days	337	50%~54%	177
Past due more than 181 days	18,498	100%	18,498
	\$ 920,705		27,483
	March 31, 2018		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not yet overdue	\$ 869,422	1%~2%	10,786
Past due less than 90 days	6,497	5%~7%	381
Past due 91-180 days	674	67%~71%	457
Past due more than 181 days	21,715	100%	21,715
	\$ 898,308		33,339

The movement of allowance for expected credit losses are as follows:

	2019	2018
Beginning balance	27,483	33,339
Expected credit loss recognized	110	-
Ending balance	\$ 27,593	33,339

As of March 31, 2019, December 31, 2018 and March 31, 2018, the accounts receivable and notes receivable for the Group were not pledged as collateral.

(e) Other receivables

	March 31, 2019	December 31, 2018	March 31, 2018
Other receivable	\$ 35,056	64,187	33,189
Other receivable—related parties	16,228	12,634	10,926
	\$ 51,284	76,821	44,115

(i) As of March 31, 2019, December 31, 2018 and March 31, 2018, other receivables were not expected credit loss.

(ii) Please refer to Note 6(x) for other credit risk information.

(Continued)

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

(iii) As of March 31, 2019, December 31, 2018 and March 31, 2018, other receivables were not pledged as collateral.

(f) Inventories

	March 31, 2019	December 31, 2018	March 31, 2018
Merchandise	\$ 247,328	236,594	213,202
Finished goods	119,123	127,517	104,000
Work in process	85,984	92,944	79,270
Raw materials	234,033	208,287	198,742
Materials	<u>33,667</u>	<u>32,666</u>	<u>34,791</u>
Subtotal	720,135	698,008	630,005
Goods in transit	<u>21,742</u>	<u>90,602</u>	<u>58,115</u>
Total	741,877	788,610	688,120
Less: Allowance for inventory market decline and obsolescence	<u>(38,210)</u>	<u>(37,722)</u>	<u>(53,114)</u>
Net amount	<u><u>\$ 703,667</u></u>	<u><u>750,888</u></u>	<u><u>635,006</u></u>

The cost of inventories recognized as operating cost for the three months ended March 31, 2019 and 2018 amounted to \$374,720 and \$339,874, respectively. The main item was the costs from selling goods. For the three months ended March 31, 2019 and 2018, the reversal of allowance amounted to \$488 and \$2,591, respectively.

As of March 31, 2019, December 31, 2018 and March 31, 2018, the aforesaid inventories were not pledged as collateral.

(g) Investments accounted for using equity method

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

	March 31, 2019	December 31, 2018	March 31, 2018
Associates	<u><u>\$ 896,662</u></u>	<u><u>901,648</u></u>	<u><u>1,003,755</u></u>

1) As of March 31, 2019, December 31, 2018 and March 31, 2018, the carrying value of associates had a quoted market price amounted to \$622,385, \$631,554 and \$747,128 respectively, while fair value amounted to \$2,623,366, \$2,745,907 and \$4,081,993, respectively.

(Continued)

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

- 2) For the three months ended March 31, 2019 and 2018, PharmaEngine, Inc. amortized stock compensation cost, exercised employee stock options, and repurchased the treasury stocks, which resulted in a change in the shareholding ratio, and such change was (debit) credit of \$(11,037) and \$1,172, respectively, to its capital reserve. For the three months ended March 31, 2018, the Group disposed its investment shares of PharmaEngine, Inc. for a gains of \$58,845, which was included in the "other gains or losses" in the consolidated income statement. For the three months ended March 31, 2019 and 2018, the Group's shareholding ratio rose from 15.52% to 15.70% and declined from 18.22% to 17.92%, respectively.

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

Associate	Nature of relationship	Country of registration	Equity ownership		
			March 31, 2019	December 31, 2018	March 31, 2018
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	15.70 %	15.52 %	17.92 %

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

- Summary financial information on PharmaEngine, Inc.

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 3,718,783	3,820,100	3,996,551
Non-current assets	34,940	26,685	56,875
Current liabilities	(136,685)	(152,671)	(186,474)
Non-current liabilities	(8,105)	-	-
Net assets	<u>\$ 3,608,933</u>	<u>3,694,114</u>	<u>3,866,952</u>
Net assets attributable to non-controlling interests	<u>\$ 566,602</u>	<u>573,462</u>	<u>692,875</u>
Net assets attributable to investee owners	<u>\$ 3,042,331</u>	<u>3,120,652</u>	<u>3,174,077</u>
	<u>For the three months ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	
Revenue	<u>\$ 77,908</u>	<u>33,807</u>	
Profit (loss) for the period	\$ 27,194	(49,145)	
Other comprehensive income	(199)	33	
Comprehensive income	<u>\$ 26,995</u>	<u>(49,112)</u>	
Comprehensive income attributable to non-controlling interests	<u>\$ 4,177</u>	<u>(8,802)</u>	
Comprehensive income (loss) attributable to investee owners	<u>\$ 22,818</u>	<u>(40,310)</u>	

(Continued)

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

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Net assets attributable to the Group, January 1	\$ 573,462	712,642
Retained earnings impacted by applying new standard for the period	-	(41)
Changes in capital surplus of affiliated companies for the period	(11,037)	1,172
Comprehensive income (loss) attributable to the Group for the period	4,177	(8,802)
Disposal of investments for the period	<u>-</u>	<u>(12,096)</u>
Net assets attributable to the Group, March 31	<u>566,602</u>	<u>692,875</u>
Carrying amount of interest in associates, March 31	<u>\$ 566,602</u>	<u>692,875</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>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
Carrying amount of interest in individually insignificant associates	<u>\$ 330,060</u>	<u>328,186</u>	<u>310,880</u>
		<u>For the three months ended March 31,</u>	
		<u>2019</u>	<u>2018</u>
Attributable to the Group:			
Profit (loss) for the period	\$	2,433	(2,356)
Other comprehensive income		<u>8,452</u>	<u>1,775</u>
Comprehensive income	\$	<u>10,885</u>	<u>(581)</u>

(iv) Collateral

As of March 31, 2019, December 31, 2018 and March 31, 2018, the investments in the aforesaid equity-accounted investees were not pledged as collateral.

(h) Subsidiaries with significant non-controlling interest

Subsidiaries with significant non-controlling interest were as follows:

<u>Subsidiary</u>	<u>Country of registration</u>	<u>Ownership and voting rights ratio</u>		
		<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %
EnhancX Inc.	Taiwan	50.00 %	50.00 %	29.41 %

(Continued)

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

The financial information below was 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 subsidiaries was as follows:

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

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 870,022	895,718	1,020,758
Non-current assets	406,942	324,603	321,351
Current liabilities	(99,306)	(99,417)	(102,439)
Non-current liabilities	(3,650)	(23)	-
Net assets	<u>\$ 1,174,008</u>	<u>1,120,881</u>	<u>1,239,670</u>
Net assets attributable to non-controlling interest	<u>\$ 510,719</u>	<u>487,724</u>	<u>539,374</u>

	For the three months ended March 31,	
	2019	2018
Revenue	<u>\$ 136,909</u>	<u>149,074</u>
Profit for the period	\$ 25,202	33,109
Other comprehensive income	27,925	59,940
Comprehensive (loss) income	<u>\$ 53,127</u>	<u>93,049</u>
Profit attributable to non-controlling interest	<u>\$ 10,842</u>	<u>14,466</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 22,994</u>	<u>40,552</u>

	For the three months ended March 31,	
	2019	2018
Cash flows from operating activities	\$ 11,326	19,548
Cash flows (used in) from investing activities	15,186	(135,533)
Cash flows used in financing activities	(1,085)	-
Net increase (decrease) in cash	<u>\$ 25,427</u>	<u>(115,985)</u>

(ii) Summary financial information on EnhanX Inc.

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 77,805	82,282	41,413
Non-current assets	117,533	119,999	121,047
Current liabilities	(1,562)	(1,856)	(1,139)
Net assets	<u>\$ 193,776</u>	<u>200,425</u>	<u>161,321</u>
Net assets attributable to non-controlling interests	<u>\$ 96,888</u>	<u>100,212</u>	<u>113,874</u>

(Continued)

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

	For the three months ended March 31,	
	2019	2018
Revenue	\$ <u>-</u>	<u>-</u>
Loss for the period	\$ (6,649)	(3,565)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive loss	\$ <u>(6,649)</u>	<u>(3,565)</u>
Loss attributable to non-controlling interest	\$ <u>(3,325)</u>	<u>(2,516)</u>
Comprehensive loss attributable to non-controlling interest	\$ <u>(3,325)</u>	<u>(2,516)</u>
Cash flows used in operating activities	\$ (4,446)	(5,163)
Net decrease in cash	\$ <u>(4,446)</u>	<u>(5,163)</u>

(i) Property, plant and equipment

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Carrying amounts:								
Balance on January 1, 2019	\$ 816,169	994,759	356,407	3,149	151,959	2,977	148,911	2,474,331
Balance on March 31, 2019	\$ 816,169	971,914	349,910	3,848	150,241	2,800	149,511	2,444,393
Balance on January 1, 2018	\$ 816,169	1,030,985	383,543	4,043	153,144	3,688	156,434	2,548,006
Balance on March 31, 2018	\$ 816,169	1,021,777	374,451	3,820	149,334	3,511	164,128	2,533,190

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of property, plant and equipment for the three months ended March 31, 2019 and 2018.

Information on depreciation for the periods is discussed in Note 12(a). Please refer to Note 6(j) of the 2018 annual consolidated financial statements for other related information.

- (ii) In January 2019, parts of the building and construction belonging to the Group were leased out; thus, the property was reclassified as investment property. The book value of the property was \$14,311 as of March 31, 2019. Please refer to Note 6(j) in the consolidated financial statement for the year ended December 31, 2018, for further information.

- (iii) Collateral

As of March 31, 2019, December 31, 2018 and March 31, 2018, the property, plant and equipment were not pledged as collateral.

- (iv) Property, plant and equipment under construction

New plant is already under construction. As of the reporting date, expenditures incurred amounted to \$149,511, and there were no capitalized loan cost for the three months ended March 31, 2019 and 2018.

(Continued)

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

(j) Investment property

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2019	\$ <u>69,152</u>	<u>18,998</u>	<u>88,150</u>
Balance on March 31, 2019	\$ <u>69,152</u>	<u>33,409</u>	<u>102,561</u>
Balance on January 1, 2018	\$ <u>69,152</u>	<u>19,871</u>	<u>89,023</u>
Balance on March 31, 2018	\$ <u>69,152</u>	<u>19,912</u>	<u>89,064</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2019 and 2018. Information on depreciation for the periods is discussed in Note 12(a). Please refer to Note 6(k) of the 2018 annual consolidated financial statements for other related information.
- (ii) In January 2019, parts of the building and construction belonging to the Group were leased out; thus, the property was reclassified from property, plant and equipment to investment property. The book value of the property was \$14,311 as of March 31, 2019. Please refer to Note 6(i) in the consolidated financial statement for the year ended December 31, 2018, for further information.

(k) Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon for the three months ended March 31, 2019 and 2018, were as follows:

	<u>Computer software</u>	<u>Patent and franchise</u>	<u>Total</u>
Cost:			
Balance on January 1, 2019	\$ 31,080	190,238	221,318
Additions	<u>431</u>	<u>-</u>	<u>431</u>
Balance on March 31, 2019	\$ <u>31,511</u>	<u>190,238</u>	<u>221,749</u>
Balance on January 1, 2018	\$ 32,574	162,386	194,960
Additions	592	10,896	11,488
Disposals	(806)	-	(806)
Reclassifications	<u>-</u>	<u>16,956</u>	<u>16,956</u>
Balance on March 31, 2018	\$ <u>32,360</u>	<u>190,238</u>	<u>222,598</u>
Amortization and impairment loss:			
Balance on January 1, 2019	\$ 25,157	42,973	68,130
Amortization for the period	1,130	3,767	4,897
Effect of changes in foreign exchange rate	<u>1</u>	<u>-</u>	<u>1</u>
Balance on March 31, 2019	\$ <u>26,288</u>	<u>46,740</u>	<u>73,028</u>

(Continued)

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

	Computer software	Patent and franchise	Total
Balance on January 1, 2018	\$ 23,456	29,301	52,757
Amortization for the period	1,187	634	1,821
Disposals	(806)	-	(806)
Balance on March 31, 2018	<u>\$ 23,837</u>	<u>29,935</u>	<u>53,772</u>
Carrying amount:			
Balance on January 1, 2019	<u>\$ 5,923</u>	<u>147,265</u>	<u>153,188</u>
Balance on March 31, 2019	<u>\$ 5,223</u>	<u>143,498</u>	<u>148,721</u>
Balance on January 1, 2018	<u>\$ 9,118</u>	<u>133,085</u>	<u>142,203</u>
Balance on March 31, 2018	<u>\$ 8,523</u>	<u>160,303</u>	<u>168,826</u>

As of March 31, 2019, December 31, 2018 and March 31, 2018, the aforementioned intangible asset were not pledged as collateral.

(l) Other financial assets and other assets

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

	March 31, 2019	December 31, 2018	March 31, 2018
Other current financial assets	\$ 315,435	398,271	379,578
Other non-current financial assets	153,601	143,678	124,680
Long-term prepayments	43,366	43,366	43,366
Prepayments for long-term investment	-	-	150,000
Others	9,660	6,883	7,351
	<u>\$ 522,062</u>	<u>592,198</u>	<u>704,975</u>

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

(ii) Long-term prepayments were paid for intangible assets before the intangible assets are ready for use.

(m) Short-term loans

	March 31, 2019	December 31, 2018	March 31, 2018
Secured bank loans	<u>\$ 950,000</u>	<u>1,150,000</u>	<u>1,050,000</u>
Unused credit line	<u>\$ 1,855,352</u>	<u>1,170,321</u>	<u>1,720,000</u>
Range of interests rates	<u>0.92%~0.97%</u>	<u>0.92%~0.96%</u>	<u>0.89%~1.013%</u>

(Continued)

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

For the three months ended March 31, 2019 and 2018, the Group increased its capital by \$950,000, with an interest of 0.92%~0.97% and \$1,507,500 with an interest of 0.89%~1.013%, respectively. The amount paid back were \$1,150,000 and \$2,107,500, respectively. Please refer to Note 6(v) for interest expense and Note 6(x) for liquidity risk and interest rate analysis information.

(n) Long-term loans

Term and condition for the details of long-term borrowings were as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Unsecured bank loans	\$ 350,000	350,000	550,000
Less: Current portion	-	-	(300,000)
Total	<u>\$ 350,000</u>	<u>350,000</u>	<u>250,000</u>
Unused credit line	<u>\$ 600,000</u>	<u>400,000</u>	<u>430,000</u>
Range of interest rate	<u>1.140%~1.180%</u>	<u>1.115%~1.180%</u>	<u>1.152%~1.298%</u>

There were no significant issues, repurchases and repayments of long-term borrowings for the three months ended March 31, 2019 and 2018. Information on interest expense for the periods are discussed in Note 6(v). Please refer to Note 6(x) of the consolidated financial statements for other related information.

(o) Operating leases

(i) Leases as lessee

Non-cancellable rentals payable of operating lease were as follows:

	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Less than one year	\$ 2,987	2,459
Between one and five years	3,825	5,414
	<u>\$ 6,812</u>	<u>7,873</u>

(ii) Leases as lessor

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

	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Less than one year	\$ 9,200	6,041
Between one and five years	11,811	5,928
	<u>\$ 21,011</u>	<u>11,969</u>

(Continued)

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

(p) 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 since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 2018 and 2017.

The Group's pension expenses recognized in profit or loss for the three months ended March 31, 2018 and 2017, were as follows:

	For the three months ended March 31,	
	2019	2018
Operating cost	\$ 134	157
Selling expenses	124	143
Administrative expenses	64	73
Research and development expenses	83	97
Total	<u>\$ 405</u>	<u>470</u>

(ii) Defined contributions plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2019 and 2018 were as follows:

	For the three months ended March 31,	
	2019	2018
Operating cost	\$ 2,104	2,001
Selling expenses	2,099	2,025
Administrative expenses	1,175	1,225
Research and development expenses	1,451	1,317
Total	<u>\$ 6,829</u>	<u>6,568</u>

(q) Income Tax

(i) Income tax expense

The components of income tax for the three months ended March 31, 2019 and 2018 were as follows:

	For the three months ended March 31,	
	2019	2018
Current tax expense		
Current period incurred	\$ 74,647	76,767
Income tax expense	<u>\$ 74,647</u>	<u>76,767</u>

(Continued)

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

(ii) Status of approval on income tax

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

(r) Capital and other equity

There were no significant changes in capital and reserves for the three months ended March 31, 2019 and 2018. Please refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2018, for other related information.

(i) Capital surplus

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Share capital	\$ 484	484	484
Long term investment	<u>337,298</u>	<u>348,335</u>	<u>392,719</u>
	<u>\$ 337,782</u>	<u>348,819</u>	<u>393,203</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 dividends policy in which earnings distribution cannot be less than 50% of distributable earnings, and cash dividends payment has to be 70% of the distribution.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated 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 March 31, 2019 and 2018, the special reserve appropriated from the undistributed earnings both amounted to \$110,154.

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

3) Earnings distribution

On March 26, 2019, the Company's board of directors resolved to appropriate the 2018 earnings. On June 20, 2018, the general meeting of shareholders resolved to appropriate 2017 earnings. The appropriation and dividends per share were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Amount per share (dollars)</u>	<u>Amount</u>	<u>Amount per share (dollars)</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.50	<u>1,118,925</u>	4.50	<u>1,118,925</u>

(Continued)

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

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Available for-sale investments	Total
Balance on January 1, 2019	\$ (56,694)	103,515	-	46,821
Exchange differences on foreign operations	14,971	-	-	14,971
Share of exchange differences of associates accounted for using equity method	11	-	-	11
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	16,812	-	16,812
The share of unrealized profit on financial assets measured at fair value through other comprehensive income	-	3,226	-	3,226
Balance on March 31, 2019	<u>\$ (41,712)</u>	<u>123,553</u>	<u>-</u>	<u>81,841</u>
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Available for-sale financial assets	Total
Balance on January 1, 2018	\$ (99,734)	-	122,165	22,431
Effects of retrospective application	-	122,167	(122,165)	2
Balance on January 1, 2018 after adjustments	(99,734)	122,167	-	22,433
Exchange differences on foreign operations	(21,533)	-	-	(21,533)
Share of exchange differences of associates accounted for using equity method	30	-	-	30
Disposal of affiliated companies using the equity method reclassified to profit or loss	3	-	-	3
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	54,174	-	54,174
The share of unrealized loss on financial assets measured at fair value through other comprehensive income	-	(2,637)	-	(2,637)
Balance on March 31, 2018	<u>\$ (121,234)</u>	<u>173,704</u>	<u>-</u>	<u>52,470</u>

(Continued)

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

(iv) Non-controlling interests

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance on January 1	\$ 587,592	614,861
Attributable to non-controlling interests:		
Profit for the period	7,600	11,720
Foreign currency translation differences-foreign operations	11	18
Unrealized gain on financial assets	<u>12,153</u>	<u>26,086</u>
Balance on March 31	<u>\$ 607,356</u>	<u>652,685</u>

(s) Earnings per share

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

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ <u>293,779</u>	<u>255,944</u>
Weighted-average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
	<u>\$ 1.18</u>	<u>1.03</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ <u>293,779</u>	<u>255,944</u>
Weighted-average number of ordinary shares	<u>248,650</u>	<u>248,650</u>
Employees' compensation	<u>342</u>	<u>297</u>
Weighted-average number of ordinary shares (diluted)	<u>248,992</u>	<u>248,947</u>
	<u>\$ 1.18</u>	<u>1.03</u>

(Continued)

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

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended March 31, 2019						
	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 533,754	50,024	193,105	134,748	2,071	913,702
European countries	112,024	-	-	-	-	112,024
Other countries	74,067	10,530	-	2,161	2,124	88,882
	<u>\$ 719,845</u>	<u>60,554</u>	<u>193,105</u>	<u>136,909</u>	<u>4,195</u>	<u>1,114,608</u>
Major products/services lines:						
Medicine and health food	\$ 719,845	60,554	193,105	116,337	2,124	1,091,965
Services	-	-	-	20,572	2,071	22,643
	<u>\$ 719,845</u>	<u>60,554</u>	<u>193,105</u>	<u>136,909</u>	<u>4,195</u>	<u>1,114,608</u>
For the three months ended March 31, 2018						
	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>Other Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 487,740	45,557	185,336	149,074	-	867,707
European countries	134,222	-	-	-	-	134,222
Other countries	29,719	5,891	-	-	2,916	38,526
	<u>\$ 651,681</u>	<u>51,448</u>	<u>185,336</u>	<u>149,074</u>	<u>2,916</u>	<u>1,040,455</u>
Major products/services lines:						
Medicine and health food	\$ 642,837	51,448	185,336	119,348	2,916	1,001,885
Services	5,500	-	-	29,726	-	35,226
Premium	3,344	-	-	-	-	3,344
	<u>\$ 651,681</u>	<u>51,448</u>	<u>185,336</u>	<u>149,074</u>	<u>2,916</u>	<u>1,040,455</u>

(Continued)

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

(ii) Contract balances

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
Contract liability balances	\$ <u>9,978</u>	<u>6,405</u>	<u>26,023</u>

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

The beginning balance of contract liability recognized as revenue for the three months ended March 31, 2019 and 2018 were \$1,989 and \$5,665, respectively.

(u) Remuneration of employees and of directors and supervisors

Based on the Company's articles of incorporation, remuneration of employees and of directors and supervisors is appropriated at the rate of 0.5% to 10% and no more than 2%, respectively, of profit before tax. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the three months ended March 31, 2019 and 2018, remuneration of employees were \$5,572 and \$4,965, respectively, and of directors' and supervisors' remuneration amounted to \$3,715 and \$3,310, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period. These remunerations were recognized under operating costs or operating expenses for the three months ended March 31, 2019 and 2018. If there's any difference between the amount resolved at the Board of Directors meeting and the estimated amount, the Company will treat the difference as changes in accounting estimates and charged to profit or loss.

For the years ended 2018 and 2017, the remunerations of employees amounted to \$23,893 and \$24,040 respectively, while the remunerations of directors amounted to \$14,950 and \$14,950, respectively. The actual distribution and related information will be posted in the "Market Observation Post system" at the website of the Taiwan Stock Exchange.

(v) Non-operating income and expenses

(i) Other income

The details of other income for the three months ended March 31, 2019 and 2018 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 9,753	1,596
Rental revenue	<u>2,995</u>	<u>2,784</u>
	<u>\$ 12,748</u>	<u>4,380</u>

(Continued)

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

(ii) Other gains and losses

The details of other gains and losses for the three months ended March 31, 2019 and 2018 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Losses on disposal of property, plant and equipment	\$ (118)	(31)
Gains on disposal of investments	-	58,845
Foreign exchange losses	(1,667)	(16,421)
Gains (losses) on financial assets measured at fair value through profit or loss	369	(13)
Other gains and losses	<u>18,628</u>	<u>3,202</u>
	<u>\$ 17,212</u>	<u>45,582</u>

Gains on disposals of investments, please refer to Note 6(g).

(iii) Finance costs

The details of finance costs for the three months ended March 31, 2019 and 2018 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense	\$ <u>3,559</u>	<u>4,981</u>

(w) Reclassification of other comprehensive income

The details of adjustments on components of other comprehensive income for the three months ended March 31, 2019 and 2018 were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Equity method used to recognize the shares of other comprehensive profit or loss of related companies- Items that may be reclassified to profit or loss:		
Gains (losses) for the period	\$ 3,237	(2,607)
Disposal of share of profit of associates accounted for using equity method	<u>-</u>	<u>3</u>
Net income (losses) recognized in other comprehensive income	<u>\$ 3,237</u>	<u>(2,604)</u>

(Continued)

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

(x) 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(z) of the consolidated financial statements for the year ended December 31, 2018.

(i) Credit risk of accounts receivable

The information regarding accounts receivable and credit risk exposure, please refer to Note 6(d).

For the information of financial assets measured at amortized cost which includes other receivables and time deposit, please refer to Note 6(l). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. In regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(c).

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
March 31, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,300,000	1,306,324	955,511	350,813	-
Non-interest-bearing liabilities (including related parties)	505,586	505,586	505,586	-	-
Guarantee deposits received	2,957	2,957	2,957	-	-
Other current and non-current liabilities	<u>6,757</u>	<u>7,878</u>	<u>4,098</u>	<u>3,780</u>	<u>-</u>
	<u>\$ 1,815,300</u>	<u>1,822,745</u>	<u>1,468,152</u>	<u>354,593</u>	<u>-</u>
December 31, 2018					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,500,000	1,507,059	1,155,290	351,769	-
Non-interest-bearing liabilities (including related parties)	641,801	641,801	641,801	-	-
Guarantee deposits received	<u>2,445</u>	<u>2,445</u>	<u>2,445</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,144,246</u>	<u>2,151,305</u>	<u>1,799,536</u>	<u>351,769</u>	<u>-</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
March 31, 2018					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 1,600,000	1,612,608	1,360,782	251,826	-
Non-interest-bearing liabilities (including related parties)	572,513	572,513	572,513	-	-
Guarantee deposits received	<u>6,047</u>	<u>6,047</u>	<u>6,047</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,178,560</u>	<u>2,191,168</u>	<u>1,939,342</u>	<u>251,826</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The information on assets and liabilities denominated in foreign currencies is as follows:

	<u>March 31, 2019</u>			<u>December 31, 2018</u>			<u>March 31, 2018</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 18,651	30.82	574,824	17,808	30.72	546,973	19,145	29.11	557,207
CNY	4,158	4.58	19,044	4,151	4.47	18,563	4,401	4.65	20,452
JPY	71,847	0.17	12,497	67,702	0.28	17,444	46,627	0.27	12,771
EUR	1,173	34.61	40,598	1,067	35.20	37,558	2,362	35.87	84,711
<u>Nonmonetary items</u>									
USD	48,005	30.28	1,453,589	47,280	30.72	1,452,218	47,166	29.11	1,373,010
CNY	51,689	4.58	236,735	52,386	4.47	234,272	50,035	4.65	232,665
THB	247,128	0.97	239,715	240,499	0.95	229,244	239,069	0.94	224,725
KRW	1,305,667	0.03	39,170	1,498,607	0.03	41,587	-	-	-
MXN	15,263	1.60	24,420	16,011	1.60	25,618	-	-	-

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and accounts receivable, that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the USD, RMB, and EUR as of March 31, 2019 and 2018 would have increased (decreased) the net profit after tax by \$5,176 and \$5,401, respectively. The analysis is performed on the same basis for 2019 and 2018.

(Continued)

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

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2019 and 2018, foreign exchange gain (including realized and unrealized portions) amounted to \$1,667 and \$16,421, respectively.

(iv) Interest rate analysis

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

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

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported that increases/decreases in interest rates of 0.25% are considered by management to be a reasonably possible change in interest rate.

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$1,181 and \$1,599 for the three months ended March 31, 2019 and 2018, respectively, assuming all other variable factors remained constant.

(v) Other market value risk

For the three months ended March 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the three months ended March 31,			
	2019		2018	
	Other Comprehensive income after tax	Net income	Other Comprehensive income after tax	Net income
Security Price				
Increase by 10%	\$ 53,307	587	36,898	38
Decrease by 10%	\$ (53,307)	(587)	(36,898)	(38)

(Continued)

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

(vi) Fair value of financial instruments

1) Categories of financial instruments

The fair value of financial assets and liabilities was as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value, financial instruments whose fair value cannot be reliably measured, and financial instruments whose inputs are unobservable in active markets):

	March 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 5,865	5,865	-	-	5,865
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 197,795	197,795	-	-	197,795
Domestic stock listed company at Taipei Exchange	180,349	180,349	-	-	180,349
Domestic stock- listed company at emerging stock market	105,657	105,657	-	-	105,657
International stock listed company subtotal	<u>49,271</u>	<u>-</u>	<u>-</u>	<u>49,271</u>	<u>49,271</u>
	<u>533,072</u>	<u>483,801</u>	<u>-</u>	<u>49,271</u>	<u>533,072</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,442,153	-	-	-	-
Notes receivable and accounts receivable (including related party)	992,236	-	-	-	-
Other receivables (including related party)	51,284	-	-	-	-
Other financial asset	469,036	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	29,814	-	-	-	-
	<u>3,997,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,536,817</u>	<u>489,666</u>	<u>-</u>	<u>49,271</u>	<u>538,937</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,300,000	-	-	-	-
Notes payable and accounts payable (including related party)	126,407	-	-	-	-
Other payables (including related party)	379,179	-	-	-	-
Guarantee deposit received	2,957	-	-	-	-
Total	<u>\$ 1,808,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	December 31, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 5,496	5,496	-	-	5,496
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 195,175	195,175	-	-	195,175
Domestic stock listed company at Taipei Exchange	176,580	176,580	-	-	176,580
Domestic stock listed company at emerging stock market	83,081	83,081	-	-	83,081
subtotal	<u>454,836</u>	<u>454,836</u>	<u>-</u>	<u>-</u>	<u>454,836</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,372,294	-	-	-	-
Notes receivable and accounts receivable (including related party)	893,222	-	-	-	-
Other receivables (including related party)	76,821	-	-	-	-
Other financial asset	541,949	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	26,252	-	-	-	-
	<u>3,923,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,384,227</u>	<u>460,332</u>	<u>-</u>	<u>-</u>	<u>460,332</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,500,000	-	-	-	-
Notes payable and accounts payable (including related party)	172,764	-	-	-	-
Other payables (including related party)	469,037	-	-	-	-
Guarantee deposit received	2,445	-	-	-	-
Total	<u>\$ 2,144,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	March 31, 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets measured at fair value through profit or loss	\$ 382	382	-	-	382
Equity instrument measured at fair value through other comprehensive income					
Domestic stock- listed company at Stock Exchange	\$ 22,870	22,870	-	-	22,870
Domestic stock listed company at Taipei Exchange	244,760	244,760	-	-	244,760
Domestic stock listed company at emerging stock market	101,351	101,351	-	-	101,351
subtotal	<u>368,981</u>	<u>368,981</u>	<u>-</u>	<u>-</u>	<u>368,981</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,551,757	-	-	-	-
Notes receivable and accounts receivable (including related party)	864,969	-	-	-	-
Other receivables (including related party)	44,115	-	-	-	-
Cash surrender value of life insurance	7,275	-	-	-	-
Refundable deposits paid	28,321	-	-	-	-
	<u>3,496,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,865,800</u>	<u>369,363</u>	<u>-</u>	<u>-</u>	<u>369,363</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,600,000	-	-	-	-
Notes payable and accounts payable (including related party)	111,075	-	-	-	-
Other payables (including related party)	461,438	-	-	-	-
Guarantee deposit received	6,047	-	-	-	-
Total	<u>\$ 2,178,560</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.

(Continued)

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

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

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

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

- 4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observation market data at reporting date.

- 5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the three months ended in March 31, 2019 and 2018, so there was no transfer between levels.

- (y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(aa) of the consolidated financial statements for the year ended December 31, 2018.

(Continued)

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

(z) Capital management

The objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to Note 6(ab) of the consolidated financial statements for the year ended December 31, 2018 for further details.

(7) Related-party transactions:

(a) List of subsidiaries

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

<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

(b) Significant transactions with related parties

(i) Operating revenue

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

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Associates	\$ <u>23,055</u>	<u>16,461</u>

Prices charged for sales transactions with offshore associates were calculated at 100% of the annual cost. If the collection was past due three months, then 5% interest was charged.

(ii) Rent revenue

The Group's rent revenue for related party were as follows:

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended March 31,</u>	
		<u>2019</u>	<u>2018</u>
Rental revenue	Associate—Chuang Yi Biotech Co., Ltd.	\$ <u>783</u>	<u>783</u>

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

(Continued)

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

(iii) Other income

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended March 31,</u>	
		<u>2019</u>	<u>2018</u>
Other income	Associate-American Taiwan Biopharm (Thailand)	\$ <u>3,087</u>	<u>2,949</u>

The credit term for other income from development in the pharmaceutical industry or registration of pharmaceutical products is three months.

(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
Notes receivable	Associates	\$ <u>54</u>	<u>34</u>	<u>252</u>
Accounts receivable	Associates	\$ <u>20,866</u>	<u>16,156</u>	<u>14,659</u>
Other receivables	Associate-American Taiwan Biopharm (Thailand)	\$ 15,576	12,241	10,615
	Associates	<u>652</u>	<u>393</u>	<u>311</u>
		\$ <u>16,228</u>	<u>12,634</u>	<u>10,926</u>
Notes payable	Associate-Chuang Yi Biotech Co., Ltd.	\$ <u>7</u>	<u>-</u>	<u>19</u>
Accounts payable	Associate-Chuang Yi Biotech Co., Ltd.	\$ <u>-</u>	<u>14,382</u>	<u>-</u>

The information about the expected credit losses for notes receivable and accounts receivable, please refer to Note 6(d).

(d) Key management personnel compensation

	<u>For the three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 27,626	32,274
Post-employment benefits	<u>340</u>	<u>302</u>
	\$ <u>27,966</u>	<u>32,576</u>

(8) Pledged assets:

As of March 31, 2019, December 31, 2018 and March 31, 2018, pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
Other financial asset-non-current	Guarantee for provision attachment	\$ <u>149,380</u>	<u>139,380</u>	<u>120,010</u>

(Continued)

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

(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 \$12,225 and \$11,630 for the three months ended March 31, 2019 and 2018, respectively.
- (b) As of March 31, 2019, December 31, 2018 and March 31, 2018, due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$622,725, \$619,601 and \$619,145, and the unpaid amount was \$191,136, \$188,431 and \$250,442, respectively.
- (c) As of March 31, 2019, December 31, 2018 and March 31, 2018, the financial institutions provide guarantee for the sale of medicine amounted to \$44,648, \$49,679 and \$72,057, respectively.
- (d) In June 2015, the Taipei District Prosecutors Office filed a charge against the ex-chairman of the Company, Rong-Jin Lin, for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, the ex-chairman was found guilty for violating the Securities and Exchange Act. Currently, the case has been appealed and moved to the second instance at the Taiwan High Court. The relevant incidental civil action was later transferred to the civil court for further trial as a different case in September 6, 2017. Further on April 23, 2018, the Taipei District Prosecutors Office requested the Taiwan High Court to hear the case of ex-chairman Rong-Jin Lin's offense of the Securities and Exchange Act because of the dispute of contract relevant with Risperidone entered into by and between the Group and Center Laboratories, Inc. together with the aforementioned case in a consolidated procedure. As of June 29, 2018, the Group supplemented and raised the amount of its damage claim against the ex-chairman in the incidental civil action of the second appeal.
- (e) On May 31, 2016, the Company filed a request with the Swiss Cantonal Court of Zug to nullify all 13 licensing agreements it had entered into with Inopha AG (Inopha), and demanded that Inopha return all the benefits it had gained from the agreements. The case is still in progress.
- (f) On May 30, 2016, Janssen Pharmaceutical NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the royalties belong to the Company or Inopha. The case was suspended.
- (g) With regard to the dispute of Risperidone Contract it entered into with the Company, Center Laboratories, Inc. initiated an action for a declaratory judgment confirming the contractual relation against the Company in Taipei District Court on July 1, 2016. Taipei District Court rendered the judgment on March 1, 2018, confirming the contractual relation valid. The Company is not satisfied with the judgment which did not consider the facts and evidence comprehensively and the Company has appealed the case to the second instance to fight for its rights and the case has been moved to the Taiwan High Court.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

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

(12) Other:

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

By item	For the three months ended March 31,					
	2019			2018		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 55,041	152,434	207,475	54,343	147,237	201,580
Health and labor insurance	4,476	9,109	13,585	4,215	8,890	13,105
Pension	2,238	4,996	7,234	2,158	4,880	7,038
Others	3,750	18,346	22,096	2,871	17,290	20,161
Depreciation expense	25,049	9,155	34,204	24,876	7,044	31,920
Amortization expense	94	4,803	4,897	87	1,734	1,821

- (b) Seasonality of operations:

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

- (c) Others

- (i) The Group donated \$10,207 and \$5,827 to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the three months ended March 31, 2019 and 2018, respectively.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	USD 52,394	USD 1,200	USD 36,984	0.5%	2	-	Operating capital	-	-	-	CNY 234,270	CNY52,386
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	USD 77,050	USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	CNY 93,706	CNY 20,954
2	Xudong Haiyu International Co., Ltd.	The Company	Receivables from related parties	Yes	USD 523,940	USD 17,000	-	0.9%	2	-	Operating capital	-	-	-	USD 569,088	USD 18,528

The exchange rate of USD to NTD as of the reporting date was 1:30.820, and the average exchange rate of USD to NTD for the reporting period was 1:30.758.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The exchange rate of CNY to NTD as of the reporting date was 1:4.580, and the average exchange rate of CNY to NTD for the reporting period was 1:4.568.

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 March 31, 2019.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
The Company	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	1,600	49,760	1.37 %	49,760
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income— current	4,199	130,589	3.60 %	130,589
"	Cathay Financial Holding Co., Ltd. common stock	-	"	100	4,495	- %	4,495
"	Handa Pharmaceuticals Inc. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	2,625	105,657	2.51 %	105,657
"	Fubon Financial Holding Co., Ltd. common stock	-	"	300	13,800	- %	13,800
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	2,500	157,500	0.38 %	157,500
"	Union Bank of Taiwan Preferred Shares A	-	"	400	22,000	0.20 %	22,000
"	CellMax Ltd. preferred stocks		"	1,593	49,271	3.23 %	49,271
"	Fubon S&P US Preferred Stock ETFS		Financial assets measured at fair value through profit and loss- non-current	300	5,865	- %	5,865

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: 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:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	TSH Biopharm Co., Ltd.	1	Sale revenue	27,047	By contract	2.43%
0	"	"	1	Other receivables	2,024	"	0.02%
0	"	"	1	Rental revenue	1,040	"	0.09%
0	"	"	1	Other revenue	1,517	"	0.14%
0	"	"	1	Accounts receivable	8,814	"	0.10%
0	"	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	2,363	"	0.03%
0	"	"	1	Other receivables	9,778	"	0.11%
0	"	EnhancX Inc.	1	Contract liabilities-current	1,075	"	0.01%
0	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	1	Other receivables	36,984	"	0.40%
0	"	"	1	Other payables	9,280	"	0.10%
1	"	"	1	Other receivables	58,369	"	0.64%

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 1): The numbering is as follows:

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

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

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2019		Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership				
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,418,567	3,181	3,181	Subsidiary
"	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	236,735	(3,135)	(3,135)	Subsidiary
"	American Taiwan Biopharma Phits Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(3,155)	472	411	Subsidiary
"	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	660,975	25,202	14,071	Subsidiary
"	EnhanX Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	40,364	(6,649)	(1,385)	Subsidiary
"	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	299,098	299,098	22,867	15.70 %	566,602	27,194	4,208	Investments accounted for using equity method
"	American Taiwan Biopharm	Thailand	Developing chemical medicine	2,966	2,966	380	40.00 %	239,715	10,245	4,098	Investments accounted for using equity method
"	Giugio International Limited	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	35,022	3,278	1,311	Investments accounted for using equity method
"	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	82,059	82,059	6,326	27.54 %	55,783	(10,808)	(2,976)	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhanX Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	68,055	(6,649)	(1,939)	Subsidiary
"	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	39,170	(1,862)	(1,862)	Subsidiary
"	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	12,210	(1,702)	(851)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	13,822	8,750	50.00 %	12,210	(1,702)	(851)	Subsidiary

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019	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. (Beijing)	Marketing consulting regarding chemical medicine	314,364 USD	(2)	323,433	-	-	323,433	923 202 CNY	100 %	923 202 CNY	(70,308) (15,351) CNY	-
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	54,502 CNY	(2)	92,195 20,130 CNY	-	-	92,195 20,130 CNY	420 92 CNY	100 %	420 92 CNY	50,453 11,016 CNY	-

The exchange rate of USD to NTD as of the reporting date was 1:30.820, and the average exchange rate of USD to NTD for the reporting period was 1:30.758.

The exchange rate of CNY to NTD as of the reporting date was 1:4.580, and the average exchange rate of CNY to NTD for the reporting period was 1:4.568.

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 following basis of a financial report not reviewed by a CPA.

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

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 423,982	NTD 1,440,157 (USD 46,728)	NTD 4,037,491

(iii) Significant transactions: None

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

(14) Segment information:

(a) General information

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

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

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

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

<u>For the three months ended March 31, 2019</u>	<u>Oncology Business Unit</u>	<u>Health Care Unit</u>	<u>Anti- Infection Business Unit</u>	<u>Domestic Cardiovascular and Gastrointestinal Drugs Business Unit</u>	<u>China Medicine Business Unit</u>	<u>Other Segment</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue:								
Revenue from external customers	\$ 719,845	60,554	193,105	136,909	-	4,195	-	1,114,608
Intersegment revenues	27,126	-	-	-	-	-	(27,126)	-
Total revenue	<u>\$ 746,971</u>	<u>60,554</u>	<u>193,105</u>	<u>136,909</u>	<u>-</u>	<u>4,195</u>	<u>(27,126)</u>	<u>1,114,608</u>
Reportable segment profit or loss	<u>\$ 273,008</u>	<u>17,400</u>	<u>71,224</u>	<u>31,496</u>	<u>(2,635)</u>	<u>(3,825)</u>	<u>(10,642)</u>	<u>376,026</u>
<u>For the three months ended March 31, 2018</u>								
Revenue:								
Revenue from external customers	\$ 651,681	51,448	185,336	149,074	-	2,916	-	1,040,455
Intersegment revenues	45,660	-	-	-	-	-	(45,660)	-
Total revenue	<u>\$ 697,341</u>	<u>51,448</u>	<u>185,336</u>	<u>149,074</u>	<u>-</u>	<u>2,916</u>	<u>(45,660)</u>	<u>1,040,455</u>
Reportable segment profit or loss	<u>\$ 241,363</u>	<u>9,870</u>	<u>72,939</u>	<u>41,380</u>	<u>(4,757)</u>	<u>(10,105)</u>	<u>(6,259)</u>	<u>344,431</u>
Reportable segment assets								
Balance on March 31, 2019	<u>\$ 8,053,779</u>	<u>36,633</u>	<u>340,282</u>	<u>1,276,964</u>	<u>243,535</u>	<u>1,655,781</u>	<u>(2,470,676)</u>	<u>9,136,298</u>
Balance on December 31, 2018	<u>\$ 7,823,178</u>	<u>230,600</u>	<u>310,827</u>	<u>1,220,321</u>	<u>240,783</u>	<u>1,657,841</u>	<u>(2,430,415)</u>	<u>9,053,135</u>
Balance on March 31, 2018	<u>\$ 7,982,065</u>	<u>236,090</u>	<u>250,532</u>	<u>1,342,109</u>	<u>1,608,967</u>	<u>173,559</u>	<u>(2,367,558)</u>	<u>9,225,764</u>