

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2020 and 2019**

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

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Independent Auditors' Review Report

To the Board of Directors
TTY Biopharm Company Limited:

Introduction

We have reviewed the accompanying consolidated balance sheets of TTY Biopharm Company Limited and its subsidiaries as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 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(f), the investments accounted for using equity method of TTY Biopharm Company Limited and its subsidiaries which amounting to \$325,411 thousand and \$295,791 thousand as of June 30, 2020 and 2019, respectively, and the related share of profit which amounting to \$15,963 thousand, \$9,354 thousand, \$26,394 thousand and \$14,763 thousand for the three-month and six-month periods then ended respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of another auditor (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of TTY Biopharm Company Limited and its subsidiaries as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of PharmaEngine, Inc., an associate of TTY Biopharm Company Limited and its subsidiaries, which represented as investment accounted for using equity method. Those financial statements were reviewed by another auditor, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for PharmaEngine, Inc., is based solely on the review report of another auditor. The investment in PharmaEngine, Inc. accounted for using the equity method amounting to \$780,505 thousand and \$548,493 thousand, constituting 8.36% and 5.97% of consolidated total assets as of June 30, 2020 and 2019, respectively, and the related share of profit of associates accounted for using the equity method amounting to \$2,553 thousand, \$4,497 thousand, \$11,224 thousand and \$8,705 thousand, constituting 1.11%, 1.35%, 2.03% and 1.23% of consolidated total profit before tax for the three months and six months ended June 30, 2020 and 2019, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
August 3, 2020

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 June 30, 2020 and 2019

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31, 2019, and June 30, 2019

(Expressed in Thousands of New Taiwan Dollar)

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
Cash and cash equivalents (note 6(a) and (t))	\$ 2,250,664	24	2,422,158	26	2,355,210	27
Current financial assets at fair value through other comprehensive income (note 6(c) and (t))	164,391	2	149,727	2	133,649	1
Notes receivable, net (note 6(d) and (t))	29,123	-	34,719	-	32,050	-
Accounts receivable, net (note 6(d) and (t))	788,623	9	935,104	10	1,081,223	12
Accounts receivable due from related parties, net (note 6(d), (t) and 7)	36,288	-	27,778	-	10,586	-
Other receivables, net (note 6(t) and 7)	137,627	2	119,753	1	61,582	1
Inventories (note 6 (e))	1,071,149	11	838,685	9	739,178	8
Prepayments	50,759	1	48,308	1	30,406	-
Other current financial assets (note 6(a), (j), and (t) and 8)	280,862	3	332,889	3	315,555	3
Other current assets (note 6(j))	5,805	-	45,297	-	7,014	-
	<u>4,815,291</u>	<u>52</u>	<u>4,974,418</u>	<u>52</u>	<u>4,766,453</u>	<u>52</u>
Non-current assets:						
Non-current financial assets at fair value through profit or loss (note 6(b) and (t))	-	-	5,874	-	5,967	-
Non-current financial assets at fair value through other comprehensive income (note 6(c) and (t))	371,082	4	379,179	4	374,037	4
Investments accounted for using equity method, net (note 6(f))	1,105,916	12	1,100,878	13	898,556	10
Property, plant and equipment (note 6(i))	2,518,629	27	2,394,277	25	2,425,287	27
Investment property, net	136,980	2	100,431	1	101,979	1
Intangible assets	133,681	1	139,013	1	143,908	2
Deferred tax assets	45,677	-	45,670	-	37,246	-
Prepayments for business facilities (note 6(i))	-	-	201,259	2	190,069	2
Refundable deposits paid (note 6(t))	24,163	-	31,132	-	28,238	-
Cash surrender value of life insurance (note 6(t))	13,657	-	13,657	-	13,357	-
Other non-current financial assets (note 6(i), (t) and 8)	159,407	2	158,363	2	153,952	2
Other non-current assets (note 6(j))	15,965	-	8,565	-	44,103	-
	<u>4,525,157</u>	<u>48</u>	<u>4,578,298</u>	<u>48</u>	<u>4,416,699</u>	<u>48</u>
Total assets	<u>\$ 9,340,448</u>	<u>100</u>	<u>9,552,716</u>	<u>100</u>	<u>9,183,152</u>	<u>100</u>
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (note 6(k) and (t))	\$ 1,221,070	13	1,561,070	15	700,000	8
Contract liabilities-current (note 6 (q))	10,891	-	16,678	-	6,288	-
Notes payable (note 6(t) and 7)	6,736	-	1,454	-	2,299	-
Accounts payable (note 6(t) and 7)	203,089	2	179,823	2	193,172	2
Dividends payable (note 6(r) and (t))	1,024,678	11	-	-	1,145,662	12
Other payables, others (note 6(t) and 7)	464,650	5	574,769	6	396,050	4
Current tax liabilities	124,055	1	188,857	2	161,061	2
Other current liabilities	39,150	1	146,848	2	52,453	1
Long-term liabilities, current portion (note 6(l) and (t))	316,410	3	355,931	4	350,000	4
	<u>3,410,729</u>	<u>36</u>	<u>3,025,430</u>	<u>31</u>	<u>3,006,985</u>	<u>33</u>
Non-current liabilities:						
Long-term borrowings (note 6(l) and (t))	20,344	-	16,313	-	-	-
Deferred tax liabilities	282,077	3	282,077	3	278,723	3
Net defined benefit liability, non-current	55,398	1	56,256	1	58,474	1
Guarantee deposits received (note 6(t))	2,425	-	2,428	-	2,601	-
Other non-current liabilities	119	-	1,148	-	2,495	-
	<u>360,363</u>	<u>4</u>	<u>358,222</u>	<u>4</u>	<u>342,293</u>	<u>4</u>
	<u>3,771,092</u>	<u>40</u>	<u>3,383,652</u>	<u>35</u>	<u>3,349,278</u>	<u>37</u>
Total liabilities						
Equity attributable to owners of parent (note 6(o)):						
Share capital	2,486,500	27	2,486,500	26	2,486,500	27
Capital surplus (note 6(f))	337,972	4	338,514	4	338,026	4
Legal reserve	1,093,808	12	1,003,556	11	1,003,556	11
Special reserve	110,154	1	110,154	1	110,154	1
Unappropriated retained earnings	943,261	10	1,591,777	17	1,241,903	13
Other equity interest	19,830	-	40,135	-	84,320	1
Equity attributable to owners of parent:	4,991,525	54	5,570,636	59	5,264,459	57
Non-controlling interests (note 6(b) and (o))	577,831	6	598,428	6	569,415	6
	<u>5,569,356</u>	<u>60</u>	<u>6,169,064</u>	<u>65</u>	<u>5,833,874</u>	<u>63</u>
Total equity						
	<u>\$ 9,340,448</u>	<u>100</u>	<u>9,552,716</u>	<u>100</u>	<u>9,183,152</u>	<u>100</u>

(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 and six months ended June 30, 2020 and 2019

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

	For the three months ended June 30				For the six months ended June 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(q) and 7)	\$ 901,099	100	1,090,917	100	1,994,566	100	2,205,525	100
5000	Operating costs (note 6(e), (m) and 7)	331,268	37	392,278	36	717,736	36	767,486	35
	Gross profit	569,831	63	698,639	64	1,276,830	64	1,438,039	65
5910	Less: Unrealized profit (loss) from sales	(1,462)	-	(1,341)	-	10,029	1	7,466	-
5920	Add: Realized profit (loss) from sales	-	-	-	-	11,903	1	7,046	-
	Gross profit, net	571,293	63	699,980	64	1,278,704	64	1,437,619	65
6000	Operating expenses (note 6(m), (r) and 12):								
6100	Selling expenses	192,362	21	231,957	21	440,708	22	464,487	21
6200	Administrative expenses	96,688	11	90,781	8	196,618	10	179,331	8
6300	Research and development expenses	69,629	8	74,929	7	144,910	7	148,394	7
6450	Expected credit loss (note 6(d))	(239)	-	(115)	-	(126)	-	(5)	-
	Total operating expenses	358,440	40	397,552	36	782,110	39	792,207	36
	Net operating income	212,853	23	302,428	28	496,594	25	645,412	29
	Non-operating income and expenses:								
7010	Other income (note 6(s) and 7)	6,253	-	14,027	1	20,389	1	26,775	1
7020	Other gains and losses, net (note 7)	(3,003)	-	8,546	1	8,311	-	25,758	1
7050	Finance costs, net	(4,333)	-	(2,917)	-	(9,009)	-	(6,476)	-
7060	Share of profit of associates accounted for using equity method, net (note 6(f))	18,516	2	11,902	1	37,618	2	18,543	1
7055	Total non-operating income and expenses	17,433	2	31,558	3	57,309	3	64,600	3
	Profit before tax	230,286	25	333,986	31	553,903	28	710,012	32
7950	Less: Income tax expenses (note 6(n))	47,371	5	74,727	7	111,747	6	149,374	7
	Profit for the period	182,915	20	259,259	24	442,156	22	560,638	25
8300	Other comprehensive income:								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	135,310	15	(27,369)	(3)	22,605	1	1,595	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	135,310	15	(27,369)	(3)	22,605	1	1,595	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation	(19,832)	(2)	18,328	2	(39,064)	(2)	33,311	2
8370	Share of other comprehensive income (loss) of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	9,311	1	(97)	-	(185)	-	3,160	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive (loss) income that will be reclassified to profit or loss	(10,521)	(1)	18,231	2	(39,249)	(2)	36,471	2
8300	Other comprehensive income	124,789	14	(9,138)	(1)	(16,644)	(1)	38,066	2
	Total comprehensive income for the period	\$ 307,704	34	250,121	23	425,512	21	598,704	27
	Profit attributable to:								
8610	Owners of parent	\$ 185,560	20	258,866	24	439,131	22	552,645	25
8620	Non-controlling interests	(2,645)	-	393	-	3,025	-	7,993	-
		\$ 182,915	20	259,259	24	442,156	22	560,638	25
	Comprehensive income attributable to:								
	Owners of parent	\$ 262,397	29	261,325	24	416,030	21	590,144	27
	Non-controlling interests	45,307	5	(11,204)	(1)	9,482	-	8,560	-
		\$ 307,704	34	250,121	23	425,512	21	598,704	27
	Earnings per share, net of tax (note 6(p))								
9750	Basic earnings per share	\$ 0.75		1.04		1.77		2.22	
9850	Diluted earnings per share	\$ 0.75		1.04		1.76		2.22	

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent									
	Share capital			Retained earnings		Total other equity interest				
Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2019										
Net income	-	-	-	552,645	-	-	46,821	552,645	7,993	6,391,625
Other comprehensive income	-	-	-	1,954,321	33,358	-	-	37,499	567	560,638
Total comprehensive income	-	-	-	552,645	33,358	-	4,141	37,499	567	38,066
Legal reserve appropriated	-	-	146,138	(146,138)	-	-	-	37,499	8,560	598,704
Cash dividends of ordinary share	-	-	-	(1,118,925)	-	-	-	-	-	-
Other changes in capital surplus:	-	-	-	-	-	-	-	(1,118,925)	(26,737)	(1,145,662)
Changes in equity of investments accounted for using equity method	(10,793)	-	-	-	-	-	-	(10,793)	-	(10,793)
Balance on June 30, 2019	338,026	1,003,556	110,154	1,241,903	(23,336)	107,656	84,320	5,264,459	569,415	5,833,874
Balance on January 1, 2020										
Net income	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	40,135	5,570,636	598,428	6,169,064
Other comprehensive income	-	-	-	439,131	-	-	-	439,131	3,025	442,156
Total comprehensive income	-	-	-	439,131	(39,085)	15,984	(23,101)	(23,101)	6,457	(16,644)
Legal reserve appropriated	-	-	90,252	(90,252)	(39,085)	15,984	(23,101)	416,030	9,482	425,512
Cash dividends of ordinary share	-	-	-	(994,599)	-	-	-	(994,599)	(30,079)	(1,024,678)
Other changes in capital surplus:	-	-	-	-	-	-	-	-	-	-
Changes in equity of investments accounted for using equity method	(542)	-	-	-	-	-	-	(542)	-	(542)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	(2,796)	-	2,796	2,796	-	-	-
Balance on June 30, 2020	337,972	1,093,808	110,154	943,261	(119,809)	139,639	19,830	4,991,525	577,831	5,569,356

Balance on January 1, 2019

Net income

Other comprehensive income

Total comprehensive income

Legal reserve appropriated

Cash dividends of ordinary share

Other changes in capital surplus:

Changes in equity of investments accounted for using equity method

Balance on June 30, 2019

Balance on January 1, 2020

Net income

Other comprehensive income

Total comprehensive income

Legal reserve appropriated

Cash dividends of ordinary share

Other changes in capital surplus:

Changes in equity of investments accounted for using equity method

Disposal of investments in equity instruments measured at fair value through other comprehensive income

Balance on June 30, 2020

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 Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollar)

	For the six months ended June 30	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 553,903	710,012
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	68,831	68,533
Amortization expense	9,702	9,711
Reversal of allowance for expected loss	(126)	(5)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,558	(471)
Interest expense	9,009	6,476
Interest income	(11,468)	(20,686)
Dividend income	(60)	(138)
Share of profit of investments accounted for using equity method	(37,618)	(18,543)
Loss on disposal of property, plant and equipment	15	208
Gain on disposal of investments	(1,707)	-
Unrealized profit (loss) from sales	10,029	7,466
Realized loss (profit) from sales	(11,903)	(7,046)
Allocation of deferred income	-	(372)
Total adjustments to reconcile profit (loss)	36,262	45,133
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	5,596	8,013
Accounts receivable	138,149	(238,715)
Other receivable	(4,948)	37,668
Inventories	(212,446)	11,827
Prepayments and other current assets	36,138	(5,897)
Total changes in operating assets	(37,511)	(187,104)
Changes in operating liabilities:		
Contract liabilities	(5,787)	(117)
Notes payable	5,282	(1,462)
Accounts payable	23,219	23,871
Other payable	(109,534)	(72,706)
Other current liabilities	(107,738)	217
Net defined benefit liability	(858)	15
Total changes in operating liabilities	(195,416)	(50,182)
Total changes in operating assets and liabilities	(232,927)	(237,286)
Total adjustments	(196,665)	(192,153)
Cash inflow generated from operations	357,238	517,859
Interest received	11,468	21,184
Dividends received	8,047	7,574
Interest paid	(9,511)	(6,653)
Income taxes paid	(176,552)	(119,721)
Net cash flows from operating activities	190,690	420,243
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(51,255)
Proceeds from disposal of financial assets at fair value through other comprehensive income	16,038	-
Proceeds from disposal of financial assets at fair value through profit or loss	4,316	-
Acquisition of property, plant and equipment	(29,125)	(11,284)
Proceeds from disposal of property, plant and equipment	13	4
Decrease (increase) in refundable deposits	6,968	(1,984)
Acquisition of intangible assets	(4,370)	(431)
Decrease in other financial assets	50,983	72,442
Increase in prepayments for business facilities	-	(6,436)
Increase in other non-current assets	(7,397)	(632)
Net cash flows from investing activities	37,426	424
Cash flows used in financing activities:		
Increase in short-term loans	2,270,000	1,450,000
Decrease in short-term loans	(2,610,000)	(1,900,000)
Proceeds from long-term borrowings	320,000	-
Repayments of long-term borrowings	(355,490)	-
Increase in guarantee deposits received	-	156
Payment of lease liabilities	-	(3,990)
Decrease in other non-current liabilities	(1,029)	-
Net cash flows used in financing activities	(376,519)	(453,834)
Effect of exchange rate changes on cash and cash equivalents	(23,091)	16,083
Net decrease in cash and cash equivalents	(171,494)	(17,084)
Cash and cash equivalents at beginning of period	2,422,158	2,372,294
Cash and cash equivalents at end of period	\$ 2,250,664	2,355,210

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

June 30, 2020 and 2019

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

(1) Company history

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on August 3, 2020.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<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 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its 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 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

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<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

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

<u>Dates</u>	<u>Interpretations</u>	<u>Content of amendment</u>
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except for the following accounting policies, the significant policies adopted in the consolidated financial statements are consistent with Note 4 in the consolidated financial statement for the year ended December 31, 2019.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2020	December 31, 2019	June 30, 2019	
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 Biopharm Inc.	Developing medicine	20.83 %	20.83 %	20.83 %	
The Company	Chuang Yi Biotech Co., Ltd.	Selling Functional food	38.12 %	38.12 %	- %	(Note 1)
Worldco International Co., Ltd.	Worldco Biotech (Beijing) Pharmaceutical Ltd.	Market consulting regarding medicine	- %	100.00 %	100.00 %	(Note 2)
Worldco International Co., Ltd.	Worldco Biotech (Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	EnhanX Biopharm Inc.	Developing medicine	29.17 %	29.17 %	29.17 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
EnhanX Biopharm Inc.	EnhanX Biopharm B.V.	Developing medicine	100.00 %	100.00 %	- %	(Note 3)
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Selling Functional food	4.89 %	4.89 %	- %	(Note 1)
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00 %	100.00 %	- %	(Note 1)

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2020	December 31, 2019	June 30, 2019	
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hong Kong) Biotech Co., Ltd.	Selling Functional food	100.00 %	100.00 %	- %	(Note 1 and 4)
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling Functional food	100.00 %	100.00 %	- %	(Note 1)

(Note 1) In December 2019, the Group participated in the capital increase of Chuang Yi Biotech Co., Ltd., which increased the shareholding ratio of the Group to 43.01%. Because the Group obtained the control over Chuang Yi Biotech Co., Ltd., it is listed as a subsidiary of the consolidated financial statements. Please refer to Notes 6(g) of the consolidated financial statements for the business combination.

(Note 2) The registration of Worldco Biotech (Beijing) Pharmaceutical Ltd. had been cancelled in January 2020.

(Note 3) In July 2019, EnhanX Biopharm Inc. established EnhanX Biopharm B.V. as a wholly owned subsidiary, and thus, EnhanX Biopharm B.V. is listed as a subsidiary of the consolidated financial statements.

(Note 4) In order to simplify the organizational structure and save operating costs, the Group decided to liquidate Chuang Yi (Hong Kong) Biotech Co., Ltd. on June 29, 2020.

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

(c) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully 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.

(d) Employee benefits

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

(Continued)

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6 in the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 3,352	3,157	2,884
Cash in banks	986,088	1,137,917	994,243
Time deposits	<u>1,261,224</u>	<u>1,281,084</u>	<u>1,358,083</u>
	<u>\$ 2,250,664</u>	<u>2,422,158</u>	<u>2,355,210</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 refer to Note 6(j).
- (iii) Please refer to Note 6(t) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets designated at fair value through profit or loss			
Domestic preferred stock ETFS	\$ <u>-</u>	<u>5,874</u>	<u>5,967</u>

The above financial assets were not pledged as collateral.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(c) Financial asset at fair value through other comprehensive income

	June 30, 2020	December 31, 2019	June 30, 2019
Equity investments at fair value through other comprehensive income:			
Domestic common stock – Lumosa Therapeutics Co., Ltd.	\$ 226,796	199,486	177,449
Domestic common stock – Handa Pharmaceuticals, Inc.	76,126	78,278	82,084
Domestic common stock – Chuang Yi Biotech Co., Ltd.	-	-	1,167
Domestic common stock – Cathay Financial Holding Co., Ltd.	-	5,281	5,160
Domestic common stock – Fubon Financial Holding Co., Ltd.	-	13,920	13,755
Domestic preferred stock – Fubon Financial Holding Co., Ltd. Preferred Shares B	162,000	160,750	157,000
Domestic preferred stock – Union Bank of Taiwan Preferred Shares A	21,280	21,920	21,800
International preferred stock – CellMax Ltd.	49,271	49,271	49,271
	<u>\$ 535,473</u>	<u>528,906</u>	<u>507,686</u>

- (i) The Group designated the investments as equity securities at fair value through other comprehensive income because the Group intends to hold the investments for long-term strategic purposes.
- (ii) As part of its strategy, the Group sold its shares amounting to \$16,038 thousand, resulting in a loss of \$5,105 thousand, which was reclassified from other comprehensive income to retained earnings in 2020.
- (iii) Please refer to Note 6(t) for information on credit and market risk.
- (iv) The above financial assets were not pledged as collateral.

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 29,123	34,719	32,050
Accounts receivable	810,535	957,142	1,108,701
Accounts receivable-related parties	36,288	27,778	10,586
Less: Allowance for expected credit losses	<u>(21,912)</u>	<u>(22,038)</u>	<u>(27,478)</u>
	<u>\$ 854,034</u>	<u>997,601</u>	<u>1,123,859</u>

The Group applies the simplified approach to assess its expected credit losses, that is, to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. To measure the expected credit losses, accounts receivables have been grouped based on the credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	June 30, 2020		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not pass due	\$ 852,167	0%~1%	3,406
1 to 90 days past due	5,580	4%~6%	317
91 to 180 days past due	22	50%~55%	12
More than 181 days past due	<u>18,177</u>	100%	<u>18,177</u>
	<u>\$ 875,946</u>		<u>21,912</u>
	December 31, 2019		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not pass due	\$ 986,990	0%~1%	2,262
1 to 90 days past due	13,403	4%~6%	537
91 to 180 days past due	16	55%~60%	9
More than 181 days past due	<u>19,230</u>	100%	<u>19,230</u>
	<u>\$ 1,019,639</u>		<u>22,038</u>

(Continued)

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

	June 30, 2019		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not pass due	\$ 1,118,446	0%~1%	6,069
1 to 90 days past due	11,885	3%~5%	561
91 to 180 days past due	264	38%~42%	106
More than 181 days past due	20,742	100%	20,742
	\$ 1,151,337		27,478

The movement in the allowance for expected credit losses were as follows:

	For the six months ended June 30,	
	2020	2019
Balance at January 1	\$ 22,038	27,483
Reversal of allowance for expected credit losses	(126)	(5)
Balance at June 30	\$ 21,912	27,478

As of June 30, 2020, December 31, 2019 and June 30, 2019, the accounts receivable and notes receivable for the Group were not pledged as collateral.

(e) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Merchandise	\$ 246,813	392,915	232,750
Finished goods	305,018	147,440	124,367
Work in process	130,636	125,802	117,443
Raw materials	278,542	162,170	223,933
Materials	33,761	36,532	36,811
Subtotal	994,770	864,859	735,304
Goods in transit	122,456	123,244	42,176
Total	1,117,226	988,103	777,480
Less: Allowance for inventory market decline and obsolescence	(46,077)	(129,418)	(38,302)
Net amount	\$ 1,071,149	858,685	739,178

(Continued)

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

- (i) The cost of inventories recognized as operating cost for the three months and six months ended June 30, 2020 and 2019 amounted to \$323,187 thousand, \$392,186 thousand, \$716,558 thousand and \$766,906 thousand, respectively. The main item was the costs from selling goods. During the three months and six months ended June 30, 2020 and 2019, the inventory write-down from its cost to net realizable value which amounted to \$8,081 thousand, \$92 thousand, \$1,154 thousand and \$580 thousand, respectively.
- (ii) As of June 30, 2020, December 31, 2019 and June 30, 2019, the inventories were not pledged as collateral.
- (f) Investments accounted for using equity method
- (i) The components of investments accounted for using the equity method at the reporting date were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Associates	\$ 1,105,916	1,100,878	898,556

- 1) As of June 30, 2020, December 31, 2019 and June 30, 2019, the carrying value of associates had a quoted market price amounted to \$780,505 thousand, \$782,858 thousand and \$602,765 thousand respectively, while fair value amounted to \$2,069,345 thousand, \$1,771,876 thousand and \$2,207,172 thousand, respectively.
- 2) For the six months ended June 30, 2020 and 2019, 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 of \$542 thousand and \$10,793 thousand, respectively, to its capital reserve. For the six months ended June 30, 2020 and 2019, the Group's shareholding ratio rose from 17.76% to 17.77% and 15.52% to 15.70%, respectively.
- (ii) Associates that had materiality were as follows:

Associate	Nature of relationship	Country of registration	Equity ownership		
			June 30, 2020	December 31, 2019	June 30, 2019
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	17.77 %	17.76 %	15.70 %

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The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates:

- Summary financial information on PharmaEngine, Inc.

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current assets	\$ 3,633,731	3,578,332	3,762,543
Non-current assets	61,754	65,060	30,054
Current liabilities	(211,352)	(138,443)	(291,444)
Non-current liabilities	<u>(16,338)</u>	<u>(21,954)</u>	<u>(7,565)</u>
Net assets	<u>\$ 3,467,795</u>	<u>3,482,995</u>	<u>3,493,588</u>
Net assets attributable to non-controlling interests	<u>\$ 616,227</u>	<u>618,580</u>	<u>548,493</u>
Net assets attributable to investee owners	<u>\$ 2,851,568</u>	<u>2,864,415</u>	<u>2,945,095</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 90,138</u>	<u>79,634</u>	<u>173,879</u>	<u>157,542</u>
Profit from continuing operations	\$ 14,379	28,642	63,206	55,836
Other comprehensive (loss) income	<u>(1,012)</u>	<u>129</u>	<u>(519)</u>	<u>(70)</u>
Total Comprehensive income	<u>\$ 13,367</u>	<u>28,771</u>	<u>62,687</u>	<u>55,766</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 2,373</u>	<u>4,517</u>	<u>11,132</u>	<u>8,694</u>
Comprehensive income attributable to investee owners	<u>\$ 10,994</u>	<u>24,254</u>	<u>51,555</u>	<u>47,072</u>

	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Net assets attributable to the Group, January 1	\$ 618,580	573,462
Changes in capital surplus of associates	(542)	(10,793)
Comprehensive income attributable to the Group	11,132	8,694
Cash dividends received from associates	<u>(12,943)</u>	<u>(22,870)</u>
Net assets attributable to the Group, June 30	616,227	548,493
Add: Goodwill	<u>164,278</u>	<u>-</u>
Carrying amount of interest in associates, June 30	<u>\$ 780,505</u>	<u>548,493</u>

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(iii) Summary financial information on individually insignificant associates

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>	
Carrying amount of individually insignificant associates' equity	\$ <u>325,411</u>	<u>318,020</u>	<u>350,063</u>	
	<u>For the three months ended June 30, 2020</u>	<u>2019</u>	<u>For the six months ended June 30, 2020</u>	<u>2019</u>
Attributable to the Group:				
Profit from continuing operations	\$ 15,963	7,405	26,394	9,838
Other comprehensive income (loss)	<u>18,941</u>	<u>11,071</u>	<u>(12,890)</u>	<u>19,523</u>
Comprehensive income	<u>\$ 34,904</u>	<u>18,476</u>	<u>13,504</u>	<u>29,361</u>

(iv) Collateral

As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group did not provide any investment accounted for using equity method as collaterals.

(v) The unreviewed financial statements of investments accounted for using equity method

Except for the investment of PharmaEngine, Inc., the other investments were accounted for by the equity method, the related share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(g) Business combination

In 2019, the Group acquired shares of Chuang Yi Biotech Co., Ltd. (Chuang Yi) through public market for \$45,784 thousand, and participated in its capital increase for \$93,360 thousand, obtaining 15.47% of its shares in stages, resulting in the Group to acquire 43.01% shares of Chuang Yi and obtained control over it.

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(i) Recognized amounts of assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$	114,250
Accounts receivables and other receivables		106,438
Inventories		11,418
Refundable product rights – current		31,558
Property, plant, and equipment		2,118
Right-of-use assets		3,061
Intangible assets		3,886
Other assets		43,542
Long-term and short-term borrowings		(133,314)
Accounts payables and other payables		(27,221)
Refundable liabilities – current		(110,653)
Other liabilities		<u>(5,701)</u>
Total identifiable net assets acquired	\$	<u>39,382</u>

(ii) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

Consideration transferred	\$	93,360
Add: non-controlling in the acquiree, if any (proportionate share of the fair value of the identifiable net assets)		22,444
Add: fair value of pre-existing interest in Chuang Yi		6,264
Less: fair value of identifiable net assets		<u>(39,382)</u>
Goodwill	\$	<u>82,686</u>
Less: impairment loss		<u>(82,686)</u>
Book value at December 31, 2019	\$	<u>-</u>

Goodwill comes from the products' expected selling value of Chuang Yi and the ability to broaden its channels, which are expected to generate synergy in the integration of Chuang Yi and the Group. However, February, 2020, Belviq, the product which Chuang Yi sells, was considered to have a higher risk of getting cancer, according to the result of a clinical trial conducted by Food and Drug Administration in the U.S. Therefore, Eisai, the vendor of the drug, recalled its public trading permission in the U.S. The Food and Drug Administration in Taiwan (TFDA) also required Chuang Yi to cease the sales of the product and reevaluate the safety of the drug, resulting in the Group to recognize an impairment on the goodwill.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(iii) Due to cessation of the sales of the product, Belviq, the Group already adjusted the related assets, liabilities and income(loss) in its consolidated financial statements. For the further information, please refer to Note 11 of the consolidated financial statements for the year ended December 31, 2019.

1) Inventories

As of December 31, 2019, the Group held the inventory of Belviq with carrying amount of \$168,990 thousand, wherein the Group is entitled to an estimated refund of \$84,495 thousand from Eisai. Thus, the Group recognized the refund as purchase returns and allowances. In the meanwhile, the Group recognized \$84,495 thousand as operating cost because the cessation of the sales of Belviq.

As of June 30, 2020, the Group held the inventory of Belviq with carrying amount of \$233,653 thousand, including the refundable product rights of \$64,663 thousand. The Group is entitled to an estimated refund of \$115,923 thousand from Eisai, which was recognized as other receivables. According to the agreement between Chuang Yi and Eisai, the other receivables were collectible and the Group did not recognized any impairment loss. Please refer to Note 6(e) for information on inventories.

2) Refundable product rights (Listed in other current assets)

On February 14, 2019, Chuang Yi launched a plan to recall Belviq in accordance with Ruling No. 1091401400 issued by TFDA. Chuang Yi estimated refundable product rights from the end consumers based on the quantity and amount of the product sold to pharmacies, clinics, other channels and distributors, and the number of days after the prescription. As of December 31, 2019, the expected cost of recalling the inventories was estimated for \$62,311 thousand as refundable product rights, and also adjusted the operating cost amounting to \$31,155 thousand.

As of June 30, 2020, the actual cost of recalling the inventories was \$64,663 thousand, and the estimated difference has been recognized as current operating cost. Please refer to Note 6(j) for information on other current assets.

3) Refundable liabilities

As of December 31, 2019, Chuang Yi was expected to pay the aforementioned customers \$133,823 thousand to be offset against the carrying amount of accounts receivable \$44,828 thousand, which resulted in the refundable liability of \$88,995 thousand, Chuang Yi recognized it as other current liabilities.

As of June 30, 2020, the refund to the customer \$75,242 thousand, and recognized the estimated difference as current operating sales.

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4) Intangible assets

The patent of Belviq was a cash generating unit, and its recoverable amount was estimated based on its value-in-use. Since the product is no longer sold in the market and its related patent will not have any future economic benefits, Chuang Yi recognized an impairment loss of \$63,390 thousand on December 31, 2019.

5) Other payables

Chuang Yi estimated the recalling expense of Belviq was \$4,000 thousand, and recognized it as other payables as of June 30, 2020 and December 31, 2019.

On July 16, 2020, the drug license of Belviq (Ruling No. 027218) had been abolished in accordance with Ruling No. 1091405749 issued by TFDA and the relevant provisions of the Pharmaceutical Affairs Law.

(h) Material non-controlling interests of subsidiaries

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

<u>Subsidiary</u>	<u>Country of registration</u>	<u>Ownership and voting rights ratio</u>		
		<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %
EnhancX Biopharm Inc.	Taiwan	50.00 %	50.00 %	50.00 %
Chuang Yi Biotech Co., Ltd.	Taiwan	43.01 %	43.01 %	- %

On June 29, 2020, a resolution was decided by the board of directors meeting that the Company will participate in the capital increase of its subsidiary, Chuang Yi, to acquire 6,364 thousand shares of Chuang Yi with the authorization fee of the distribution contract. The Company's shareholding ratio in Chuang Yi will increase from 43.01% to 52.94%. The legal procedures have yet to be completed.

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

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

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Current assets	\$ 917,024	885,884	879,616
Non-current assets	350,361	376,788	381,485
Current liabilities	(166,205)	(138,792)	(164,094)
Non-current liabilities	-	-	(2,518)
Net assets	<u>\$ 1,101,180</u>	<u>1,123,880</u>	<u>1,094,489</u>
Net assets attributable to non-controlling interest	<u>\$ 479,183</u>	<u>489,032</u>	<u>476,215</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 90,750</u>	<u>120,085</u>	<u>222,739</u>	<u>256,994</u>
Profit	\$ 7,914	8,488	31,420	33,690
Other comprehensive income (loss)	110,102	(26,570)	14,997	1,355
Comprehensive income	<u>\$ 118,016</u>	<u>(18,082)</u>	<u>46,417</u>	<u>35,045</u>
Profit attributable to non-controlling interest	<u>\$ 3,533</u>	<u>3,797</u>	<u>13,704</u>	<u>14,639</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 51,449</u>	<u>(7,766)</u>	<u>20,231</u>	<u>15,228</u>

	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash flows (used in) from operating activities	\$ (8,713)	31,770
Cash flows from investing activities	62,115	13,153
Cash flows used in financing activities	(2,123)	(2,215)
Net increase in cash	<u>\$ 51,279</u>	<u>42,708</u>

(ii) Summary financial information on EnhanX Biopharm Inc.

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Current assets	\$ 50,402	57,248	74,329
Non-current assets	111,939	119,799	115,068
Current liabilities	(1,437)	(2,560)	(2,621)
Non-current liabilities	(119)	(119)	-
Net assets	<u>\$ 160,785</u>	<u>174,368</u>	<u>186,776</u>
Net assets attributable to non-controlling interests	<u>\$ 80,393</u>	<u>87,184</u>	<u>93,388</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating revenue	\$ -	-	-	-
Loss	\$ (7,799)	(7,000)	(13,554)	(13,649)
Other comprehensive income (loss)	1	-	(29)	-
Comprehensive loss	\$ (7,798)	(7,000)	(13,583)	(13,649)
Loss attributable to non-controlling interest	\$ (3,900)	(3,500)	(6,777)	(6,825)
Comprehensive loss attributable to non-controlling interest	\$ (3,899)	(3,500)	(6,791)	(6,825)

	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash flows used in operating activities	\$ (9,662)	(7,842)
Net decrease in cash	\$ (9,662)	(7,842)

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 224,101	301,549
Non-current assets	13,808	14,722
Current liabilities	(185,880)	(260,576)
Non-current liabilities	(20,344)	(16,313)
Net assets	\$ <u>31,685</u>	<u>39,382</u>
Net assets attributable to non-controlling interests	\$ <u>18,057</u>	<u>22,444</u>

	<u>For the three months ended June 30, 2020</u>	<u>For the six months ended June 30, 2020</u>
Operating revenue	\$ <u>24,409</u>	<u>48,042</u>
Loss	\$ (3,996)	(7,611)
Other comprehensive loss	(81)	(86)
Comprehensive loss	\$ <u>(4,077)</u>	<u>(7,697)</u>
Loss attributable to non-controlling interest	\$ <u>(2,278)</u>	<u>(4,338)</u>
Comprehensive loss attributable to non-controlling interest	\$ <u>(2,324)</u>	<u>(4,387)</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the six months ended June 30, 2020
Cash flows used in operating activities	\$ (89,967)
Cash flows used in investing activities	(218)
Cash flows from financing activities	30,967
Effect of exchange rates changes on cash and cash equivalents	(79)
Net decrease in cash	<u>\$ (59,297)</u>

(i) Property, plant and equipment

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amounts:								
Balance on January 1, 2020	\$ 816,169	939,301	328,784	2,337	154,833	3,068	149,785	2,394,277
Balance on June 30, 2020	\$ 785,552	908,381	310,921	1,829	151,296	2,453	358,197	2,518,629
Balance on January 1, 2019	\$ 816,169	994,759	356,407	3,149	151,959	2,977	148,911	2,474,331
Balance on June 30, 2019	\$ 816,169	965,458	342,422	2,702	145,717	2,623	150,196	2,425,287

(i) The property, plant and equipment amounting to \$201,259 thousand was reclassified from prepayments for business facilities to construction in progress for the six months ended June 30, 2020. There were no significant additions, disposal, or recognition / reversal of impairment losses of property plant and equipment for the six months ended June 30, 2019. The information on depreciation for the period is discussed in Note 12(a); and for other related information, please refer to Note 6(j) of the consolidated financial statements for the year ended December 31, 2019.

(ii) Collateral

As of June 30, 2020, December 31, 2019 and June 30, 2019, the property, plant and equipment were not pledged as collateral.

(iii) Construction in progress

As of the reporting date, construction in progress has incurred expenditure amounted to \$358,197 thousand, and there were no capitalized loan cost for the six months ended June 30, 2020 and 2019.

(iv) As of June 30, 2020, December 31, 2019 and June 30, 2019, the carrying value of right-of-use assets amounted to \$8,379 thousand, \$4,096 thousand and \$6,738 thousand, respectively, which were recognized as "Building and construction" and "Transportation equipment".

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

(j) Other financial assets and other assets

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

	June 30, 2020	December 31, 2019	June 30, 2019
Other current financial assets	\$ 280,862	332,889	315,555
Other non-current financial assets	159,407	158,363	153,952
Long-term prepayments	15,333	7,935	43,366
Others	<u>6,437</u>	<u>45,927</u>	<u>7,751</u>
	<u>\$ 462,039</u>	<u>545,114</u>	<u>520,624</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.

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

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Secured bank loans	\$ 71,070	111,070	-
Unsecured bank loans	<u>1,150,000</u>	<u>1,450,000</u>	<u>700,000</u>
	<u>\$ 1,221,070</u>	<u>1,561,070</u>	<u>700,000</u>
Unused credit line	<u>\$ 1,705,178</u>	<u>1,117,021</u>	<u>2,104,348</u>
Range of interest rates	<u>0.77%~1.69%</u>	<u>0.86%~1.80%</u>	<u>0.91%~0.93%</u>

(i) For the six months ended June 30, 2020 and 2019, the Group proceeded from short-term borrowings amounting to \$2,270,000 thousand with an interest rate of 0.77%~1.69% and \$1,450,000 thousand with an interest rate of 0.91%~0.97%, respectively; the repayment amounting to \$2,610,000 thousand and \$1,900,000 thousand, respectively.

(ii) Please refer to Note 6(t) for interest and credit risk exposure.

(iii) Please refer to Note 8 for the collateral for short-term borrowings.

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

(l) Long-term borrowings

The long-term borrowings were summarized as follows:

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Secured bank loans	\$ 36,754	16,313	-
Unsecured bank loans	300,000	355,931	350,000
Less: Current portion	<u>(316,410)</u>	<u>(355,931)</u>	<u>(350,000)</u>
Total	<u>\$ 20,344</u>	<u>16,313</u>	<u>-</u>
Unused long-term credit line	<u>\$ 650,000</u>	<u>450,000</u>	<u>600,000</u>
Range of interest rates	<u>0.989%~1.945%</u>	<u>1.146%~1.700%</u>	<u>1.140%~1.180%</u>

There were no significant issues, repurchases and repayments of long-term borrowings for the six months ended June 30, 2020 and 2019. Please refer to Note 6(t) for related disclosure of information and Note 8 for the collateral for long-term borrowings.

(m) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, material reimbursement and settlement or other material onetime events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating cost	\$ 94	134	187	268
Selling expenses	87	125	175	249
Administrative expenses	45	63	89	127
Research and development expenses	59	83	118	166
Total	<u>\$ 285</u>	<u>405</u>	<u>569</u>	<u>810</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(ii) Defined contributions plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and six months ended June 30, 2020 and 2019, were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating cost	\$ 3,168	2,109	5,828	4,213
Selling expenses	3,503	2,156	6,459	4,255
Administrative expenses	1,814	1,193	3,370	2,368
Research and development expenses	1,755	1,406	3,323	2,857
Total	<u>\$ 10,240</u>	<u>6,864</u>	<u>18,980</u>	<u>13,693</u>

(n) Income Tax

(i) Income tax expense

The components of income tax for the three months and six months ended June 30, 2020 and 2019 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current tax expense				
Current period	\$ 47,371	65,116	111,747	139,763
Additional Surtax on Undistributed Retained Earnings	-	9,611	-	9,611
Income tax expense	<u>\$ 47,371</u>	<u>74,727</u>	<u>111,747</u>	<u>149,374</u>

(ii) Status of approval on income tax

The Company's income tax returns for the year through 2015 and 2017 have been assessed by Taipei National Tax Administration.

(o) Capital and other equity

There was no significant change for capital and other equity for the six months ended June 30, 2020 and 2019. For other related information, please refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2019.

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

(i) Capital surplus

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

	June 30, 2020	December 31, 2019	June 30, 2019
Share capital	\$ 484	484	484
Long term investment	337,488	338,030	337,542
	<u>\$ 337,972</u>	<u>338,514</u>	<u>338,026</u>

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

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

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

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve was appropriated from the undistributed earnings equivalent to the debit balance of cumulative translation differences of \$82,429 thousand and unrealized revaluation increments of \$27,725 thousand. The special reserve appropriated can be reversed to the extent that the net debit balance reverses.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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In accordance with the aforesaid Ruling, a special reserve is set aside from the current year's net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of June 30, 2020 and 2019, the special reserve appropriated from the undistributed earnings both amounted to \$110,154 thousand.

3) Earnings distribution

On June 12, 2020 and June 25, 2019, the general meeting of shareholders resolved to appropriate 2019 and 2018 earnings, respectively. The appropriation and dividends per share were as follows:

	2019		2018	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.00	<u>994,599</u>	4.50	<u>1,118,925</u>

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

	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2020	\$ (80,724)	120,859	40,135
Exchange differences on foreign operations	(38,993)	-	(38,993)
Exchange differences of associates accounted for using equity method	(92)	-	(92)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	16,077	16,077
Unrealized losses from financial assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(93)	(93)
Disposal of investments in equity instruments designated at fair value through other comprehensive income reclassified to retained earning	-	2,796	2,796
Balance on June 30, 2020	<u>\$ (119,809)</u>	<u>139,639</u>	<u>19,830</u>

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	Exchange differences on translation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2019	\$ (56,694)	103,515	46,821
Exchange differences on foreign operations	33,334	-	33,334
Exchange differences of associates accounted for using equity method	24	-	24
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	1,005	1,005
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	3,136	3,136
Balance on June 30, 2019	<u>\$ (23,336)</u>	<u>107,656</u>	<u>84,320</u>

(iv) Non-controlling interests

	For the six months ended June 30,	
	2020	2019
Balance on January 1	\$ 598,428	587,592
Attributable to non-controlling interests:		
Profit	3,025	7,993
Exchange differences on translation in foreign operations	(71)	(23)
Unrealized gains on financial assets	6,528	590
Cash dividend distributed	(30,079)	(26,737)
Balance on June 30	<u>\$ 577,831</u>	<u>569,415</u>

(p) Earnings per share

For the three months and six months ended June 30, 2020 and 2019, the Company's earnings per share were calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Basic earnings per share				
Profit attributable to ordinary shareholders	<u>\$ 185,560</u>	<u>258,866</u>	<u>439,131</u>	<u>552,645</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>
	<u>\$ 0.75</u>	<u>1.04</u>	<u>1.77</u>	<u>2.22</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	\$ <u>185,560</u>	<u>258,866</u>	<u>439,131</u>	<u>552,645</u>
Weighted average number of ordinary shares	248,650	248,650	248,650	248,650
Effect of employees' compensation	<u>109</u>	<u>61</u>	<u>258</u>	<u>263</u>
Weighted average number of ordinary shares (diluted)	<u>248,759</u>	<u>248,711</u>	<u>248,908</u>	<u>248,913</u>
	\$ <u>0.75</u>	<u>1.04</u>	<u>1.76</u>	<u>2.22</u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended June 30, 2020						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 462,163	42,153	168,480	90,118	25,552	788,466
Other countries	<u>110,943</u>	-	<u>774</u>	-	<u>916</u>	<u>112,633</u>
	<u>\$ 573,106</u>	<u>42,153</u>	<u>169,254</u>	<u>90,118</u>	<u>26,468</u>	<u>901,099</u>
Major products/services lines:						
Medicine and functional food	\$ 571,350	42,153	169,254	90,126	25,326	898,209
Services	412	-	-	-	1,134	1,546
Royalty	<u>1,344</u>	-	-	-	-	<u>1,344</u>
	<u>\$ 573,106</u>	<u>42,153</u>	<u>169,254</u>	<u>90,126</u>	<u>26,460</u>	<u>901,099</u>
For the three months ended June 30, 2019						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 546,562	54,378	202,198	120,085	3,034	926,257
European countries	119,618	-	-	-	-	119,618
Other countries	<u>42,340</u>	-	-	-	<u>2,702</u>	<u>45,042</u>
	<u>\$ 708,520</u>	<u>54,378</u>	<u>202,198</u>	<u>120,085</u>	<u>5,736</u>	<u>1,090,917</u>
Major products/services lines:						
Medicine and functional food	\$ 704,163	54,378	202,198	119,625	2,702	1,083,066
Services	<u>4,357</u>	-	-	460	3,034	<u>7,851</u>
	<u>\$ 708,520</u>	<u>54,378</u>	<u>202,198</u>	<u>120,085</u>	<u>5,736</u>	<u>1,090,917</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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For the six months ended June 30, 2020						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 1,031,742	85,879	398,562	221,649	50,579	1,788,411
European countries	8,162	-	-	-	-	8,162
Other countries	189,181	-	2,557	-	6,255	197,993
	<u>\$ 1,229,085</u>	<u>85,879</u>	<u>401,119</u>	<u>221,649</u>	<u>56,834</u>	<u>1,994,566</u>
Major products/services lines:						
Medicine and functional food	\$ 1,217,260	85,879	399,551	221,462	54,168	1,978,320
Services	10,481	-	1,568	187	2,666	14,902
Royalty	1,344	-	-	-	-	1,344
	<u>\$ 1,229,085</u>	<u>85,879</u>	<u>401,119</u>	<u>221,649</u>	<u>56,834</u>	<u>1,994,566</u>
For the six months ended June 30, 2019						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 1,080,316	104,402	395,303	254,833	5,105	1,839,959
European countries	231,642	-	-	-	-	231,642
Other countries	116,407	10,530	-	2,161	4,826	133,924
	<u>\$ 1,428,365</u>	<u>114,932</u>	<u>395,303</u>	<u>256,994</u>	<u>9,931</u>	<u>2,205,525</u>
Major products/services lines:						
Medicine and functional food	\$ 1,424,008	114,932	395,303	235,962	4,826	2,175,031
Services	4,357	-	-	21,032	5,105	30,494
	<u>\$ 1,428,365</u>	<u>114,932</u>	<u>395,303</u>	<u>256,994</u>	<u>9,931</u>	<u>2,205,525</u>

(ii) Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019
Contract liability	\$ <u>10,891</u>	<u>16,678</u>	<u>6,288</u>

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

The amount of revenue recognized for the six months ended June 30, 2020 and 2019 that were included in the contract liability at the beginning of the period were \$9,294 thousand and \$4,593 thousand, respectively.

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(r) Remunerations to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a range of 0.5%~10% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the three months and six months ended June 30, 2020 and 2019, the Company accrued and recognized its employee remuneration amounting to \$3,440 thousand, \$5,127 thousand, \$8,271 thousand and \$10,699 thousand, respectively, as well as its remuneration to directors amounting to \$2,294 thousand, \$3,418 thousand, \$5,514 thousand and \$7,133 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and recognized under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year.

For the years ended December 31, 2019 and 2018, the Company accrued and recognized its employee remuneration amounting to \$23,195 thousand and \$23,893 thousand, respectively, and its remuneration to directors each amounting to \$14,950 thousand. The related information can be accessed from the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(s) Non-operating income and expenses-other income

The details of other income for the three months and six months ended June 30, 2020 and 2019 were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest income	\$ 4,755	10,933	11,468	20,686
Rent income	1,498	3,094	8,921	6,089
	<u>\$ 6,253</u>	<u>14,027</u>	<u>20,389</u>	<u>26,775</u>

(t) 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(y) of the consolidated financial statements for the year ended December 31, 2019.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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(i) Credit risk

For credit risk exposure of accounts receivable, 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(j). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. In regards to how the financial instruments are considered to have low credit risk, please refer to Note 4(g) of the consolidated financial statements for the year ended December 31, 2019.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>
June 30, 2020					
Non-derivative financial liabilities					
Bank loans	\$ 1,557,824	1,562,463	1,541,854	19,570	1,039
Non-interest-bearing liabilities (including related parties)	1,699,153	1,699,153	1,699,153	-	-
Guarantee deposits received	<u>2,425</u>	<u>2,425</u>	<u>2,425</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,259,402</u>	<u>3,264,041</u>	<u>3,243,432</u>	<u>19,570</u>	<u>1,039</u>
December 31, 2019					
Non-derivative financial liabilities					
Bank loans	\$ 1,933,314	1,937,249	1,920,550	12,524	4,175
Non-interest-bearing liabilities (including related parties)	756,046	756,046	756,046	-	-
Guarantee deposits received	<u>2,428</u>	<u>2,428</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,691,788</u>	<u>2,695,723</u>	<u>2,679,024</u>	<u>12,524</u>	<u>4,175</u>
June 30, 2019					
Non-derivative financial liabilities					
Bank loans	\$ 1,050,000	1,054,528	1,054,528	-	-
Non-interest-bearing liabilities (including related parties)	1,737,183	1,737,183	1,737,183	-	-
Guarantee deposits received	<u>2,601</u>	<u>2,601</u>	<u>2,601</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,789,784</u>	<u>2,794,312</u>	<u>2,794,312</u>	<u>-</u>	<u>-</u>

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

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(iii) Market risk

1) Currency risk

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

	June 30, 2020			December 31, 2019			June 30, 2019			
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	12,916	29.63	382,701	18,311	29.98	548,964	18,227	31.06	566,131
CNY		6,577	4.19	27,564	6,530	4.31	28,112	4,007	4.52	18,116
JPY		120,156	0.28	33,055	124,946	0.27	34,346	85,969	0.29	24,656
EUR		1,363	33.27	45,347	1,598	33.59	53,677	1,001	35.38	35,415
<u>Nonmonetary items</u>										
USD		47,929	29.63	1,420,136	47,993	29.98	1,438,824	47,346	31.06	1,470,568
CNY		52,162	4.19	218,612	51,489	4.31	221,659	52,140	4.52	235,725
THB		286,743	0.96	276,564	265,077	1.01	267,728	253,230	1.02	257,409
KRW		1,068,666	0.02	26,578	1,222,341	0.03	31,989	1,350,759	0.03	36,619
MXN		10,833	1.30	14,094	11,290	1.60	18,064	13,640	1.66	22,642

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

A strengthening (weakening) of 1% of the NTD against the USD, CNY, JPY and EUR as of June 30, 2020 and 2019 would have increased (decreased) the net profit after tax by \$3,910 thousand and \$5,155 thousand, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the six months ended June 30, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$(4,530) thousand and \$3,370 thousand, respectively.

2) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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.

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

If the interest rate had increased/decreased by 0.25%, the Group's after-tax net income would have decreased/increased by \$999 thousand and \$836 thousand for the six months ended June 30, 2020 and 2019, respectively with all other variable factors remained constant.

3) Other market value risk

For the six months ended June 30, 2020 and 2019, 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:

<u>Security Price</u>	For the six months ended June 30,			
	2020		2019	
	Other Comprehensive income after tax	Net income	Other Comprehensive income after tax	Net income
Increase by 10%	\$ 53,547	-	50,769	597
Decrease by 10%	\$ (53,547)	-	(50,769)	(597)

(iv) Fair value of financial instruments

1) Categories of financial instruments

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

	June 30, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 183,280	183,280	-	-	183,280
Domestic stock in listed company at Taipei Exchange	226,796	226,796	-	-	226,796
Domestic stock in listed company at emerging stock market	76,126	76,126	-	-	76,126
International stock	49,271	-	-	49,271	49,271
subtotal	535,473	486,202	-	49,271	535,473

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		December 31, 2019				
		Book Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	2,422,158	-	-	-	-
Notes receivable and accounts receivable (including related party)		997,601	-	-	-	-
Other receivables (including related party)		119,753	-	-	-	-
Other financial assets		491,252	-	-	-	-
Cash surrender value of life insurance		13,657	-	-	-	-
Refundable deposits paid		31,132	-	-	-	-
subtotal		4,075,553	-	-	-	-
Total		\$ 4,610,333	485,509	-	49,271	534,780
Financial liabilities measured at amortized cost						
Bank loans	\$	1,933,314	-	-	-	-
Notes payable and accounts payable (including related party)		181,277	-	-	-	-
Other payables (including related party)		574,769	-	-	-	-
Guarantee deposit received		2,428	-	-	-	-
Total		\$ 2,691,788	-	-	-	-
		June 30, 2019				
		Book Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Non-current financial assets at fair value through profit or loss						
	\$	5,967	5,967	-	-	5,967
Financial assets at fair value through other comprehensive income						
Domestic stock in listed company at Stock Exchange	\$	197,715	197,715	-	-	197,715
Domestic stock in listed company at Taipei Exchange		177,449	177,449	-	-	177,449
Domestic stock in listed company at emerging stock market		83,251	83,251	-	-	83,251
International stock		49,271	-	-	49,271	49,271
subtotal		507,686	458,415	-	49,271	507,686

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	June 30, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,355,210	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,123,859	-	-	-	-
Other receivables (including related party)	61,582	-	-	-	-
Other financial asset	469,507	-	-	-	-
Cash surrender value of life insurance	13,357	-	-	-	-
Refundable deposits paid	28,238	-	-	-	-
subtotal	<u>4,051,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,565,406</u>	<u>464,382</u>	<u>-</u>	<u>49,271</u>	<u>513,653</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,050,000	-	-	-	-
Notes payable and accounts payable (including related party)	195,471	-	-	-	-
Other payables (including related party)	396,050	-	-	-	-
Dividends payable	1,145,662	-	-	-	-
Guarantee deposit received	2,601	-	-	-	-
Total	<u>\$ 2,789,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

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

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

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

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

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

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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 using valuation technique can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the report date.

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the six months ended in June 30, 2020 and 2019, so there was no transfer between levels.

6) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2020	\$ <u>49,271</u>
Balance at June 30, 2020	\$ <u>49,271</u>
Balance at January 1, 2019	\$ -
Purchase	<u>49,271</u>
Balance at June 30, 2019	\$ <u>49,271</u>

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

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted Cash Flow Method	<ul style="list-style-type: none"> ·Weighted average cost of capital (On June 30, 2020 and December 31, 2019 were both 14.27%) ·Discount for lack of market liquidity (On June 30, 2020 and December 31, 2019 were both 20.6%) 	·The higher the weighted average cost of capital and discount for lack of market liquidity, the lower the fair value.

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

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

	<u>Input</u>	<u>Change</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
June 30, 2020				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	646	(646)
December 31, 2019				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	646	(646)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(z) of the consolidated financial statements for the year ended December 31, 2019.

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(v) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2019 for further details.

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
American Taiwan Biopharm (Thailand)	An associate
Chuang Yi Biotech Co., Ltd.	An associate (Note)
PharmaEngine, Inc.	An associate
Shangta Pharmaceutical Co., Ltd.	Other related party

Note: As of December 31, 2019, the Group obtained control over Chuang Yi Biotech Co., Ltd. and listed it as a subsidiary of the Group. Before that date, Chuang Yi Biotech Co., Ltd. was an associate of the Group.

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Group to related parties were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Associates	\$ 19,832	13,876	39,889	36,931
Other related parties	107	-	227	-
	<u>\$ 19,939</u>	<u>13,876</u>	<u>40,116</u>	<u>36,931</u>

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

(ii) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

	<u>For the three months</u>	<u>For the six months</u>
	<u>ended June 30,</u>	<u>ended June 30,</u>
	<u>2019</u>	<u>2019</u>
Associates	<u>\$ 3,716</u>	<u>3,716</u>

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The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms are Net 30 days, which were no different from the payment terms given by other vendors.

(iii) Rent income

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

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>
		<u>2019</u>	<u>2019</u>
Rent income	Associate	<u>783</u>	<u>1,566</u>

The rentals charged to related parties are determined based on the local market prices.

(iv) Other gains

<u>Recognized item</u>	<u>Category</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other gains	Associates	\$ -	-	20	-
	Associate-American Taiwan Biopharm (Thailand)	-	3,133	6,352	6,220
		<u>\$ -</u>	<u>3,133</u>	<u>6,372</u>	<u>6,220</u>

The credit term for other gains from development in the pharmaceutical industry is three months.

(c) Assets and liabilities with related parties

<u>Recognized item</u>	<u>Category</u>	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
		<u>2020</u>	<u>2019</u>	<u>2019</u>
Accounts receivable	Associates	\$ 36,234	27,668	10,586
	Other related parties	54	110	-
		<u>\$ 36,288</u>	<u>27,778</u>	<u>10,586</u>
Other receivables	Associate-American Taiwan Biopharm (Thailand)	\$ 9,584	16,481	16,135
	Associates	12,943	-	364
	Other related parties	-	826	-
		<u>\$ 22,527</u>	<u>17,307</u>	<u>16,499</u>
Notes and accounts payable	Associate	\$ -	-	2
	Other related parties	5,503	-	-
		<u>\$ 5,503</u>	<u>-</u>	<u>2</u>

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<u>Recognized item</u>	<u>Category</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Other payables	Other related parties	\$ <u>5,579</u>	<u>-</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 June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 17,464	19,296	46,250	46,922
Post-employment benefits	366	270	663	610
	<u>\$ 17,830</u>	<u>19,566</u>	<u>46,913</u>	<u>47,532</u>

(8) Collateral:

The carrying amounts of collateral were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Other current and non-current asset-reserve account	Bank loan	\$ 21,129	29,126	-
Other financial asset—non-current	Guarantee for provision attachment	149,380	149,380	149,380
		<u>\$ 170,509</u>	<u>178,506</u>	<u>149,380</u>

(9) Commitments and contingencies:

- (a) As of June 30, 2020, December 31, 2019 and June 30, 2019, due to the purchase of equipment, construction engineering, and entrusted research, the total price of unfinished contracts amounted to \$547,532 thousand, \$548,721 thousand and \$629,216 thousand, and the unpaid amount was \$157,579 thousand, \$161,866 thousand and \$190,571 thousand, respectively.
- (b) As of June 30, 2020, December 31, 2019 and June 30, 2019, the financial institutions provide guarantee for the sale of medicine amounted to \$69,267 thousand, \$92,983 thousand and \$45,652 thousand, respectively.

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- (c) In June 2015, the Taiwan Taipei District Prosecutors Office (TTDPO) filed a charge against the ex-chairman of the Company, Rong-Jin Lin (Mr. Lin), for the offense of aggravated breach of trust under the Securities and Exchange Act. According to the verdict rendered by the Taipei District Court on September 1, 2017, Mr. Lin was found guilty for violating the Securities and Exchange Act. However, Mr. Lin disagreed with the decision made by the Taipei District Court; therefore, appealed to the Taiwan High Court. On the other hand, on April 23, 2018, the TTDPO requested the Taiwan High Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperdone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called "Risperdone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.
- (d) On May 31, 2016, the Company filed a 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.
- (e) 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.
- (f) With regard to the dispute on the Risperidone Contract it entered into with the Company, Center Laboratories, Inc. (CLI) filed a lawsuit against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018. However, the Company disagreed with the decision made by the court, and thus, made an appeal to the Taiwan High Court, wherein its appeal had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Germany Labor Court of Dresden against Denis Optiz, who is the beneficiary owner of Inopha AG, which is still in progress in the Germany Labor Court of Dresden.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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(12) Other:

- (a) A summary of current-period employee benefits, depreciation and amortization expenses, by function, were as follows:

By item	By function		For the three months ended June 30,			
	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 61,954	172,592	234,546	50,003	151,313	201,316
Health and labor insurance	5,486	11,069	16,555	4,334	9,574	13,908
Pension	3,262	7,263	10,525	2,243	5,026	7,269
Others	1,721	9,471	11,192	4,300	21,940	26,240
Depreciation expense	26,413	8,110	34,523	26,435	7,894	34,329
Amortization expense	109	4,796	4,905	93	4,721	4,814

By item	By function		For the six months ended June 30,			
	2020			2019		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 117,981	346,273	464,254	105,044	303,747	408,791
Health and labor insurance	10,141	21,630	31,771	8,810	18,683	27,493
Pension	6,015	13,534	19,549	4,481	10,022	14,503
Others	3,370	21,910	25,280	8,050	40,286	48,336
Depreciation expense	53,050	15,781	68,831	51,484	17,049	68,533
Amortization expense	217	9,485	9,702	187	9,524	9,711

- (b) Seasonality of operations:

The Group's operations are not affected by seasonal factors or cyclical factors.

- (c) Others

The Group donated \$11,440 thousand and \$19,252 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the six months ended June 30, 2020 and 2019, respectively.

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(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2020:

(i) Fund financing to other parties:

(In Thousands of Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Maximum limit of fund financing (Note 3)
													Item	Value	
0	The Company	Chuang Yi Biotech Co., Ltd.	Receivables from related parties	Yes	50,000	50,000	50,000	2.366%	2	-	Operating capital	-	-	998,305	998,305
1	Worldco International Co., Ltd.	Worldco Biotech Pharmaceutical Ltd. (Beijing)	Receivables from related parties	Yes	35,556 USD 1,200	-	-	0.5%	2	-	Operating capital	-	-	215,790 CNY 51,489	215,790 CNY 51,489
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	74,075 USD 2,500	74,075 USD 2,500	-	0.9%	2	-	Operating capital	-	-	86,318 CNY 20,596	86,318 CNY 20,596

The exchange rate of USD to NTD as of the reporting date was 1:29.63.

The exchange rate of CNY to NTD as of the reporting date was 1:4.191.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Note 2): The total amount for lending to a company shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in their latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 3): The total amount available for lending purposes shall not exceed 20% and 40% of the worth of the Company and its subsidiaries, respectively, in their latest financial statements. 100% directly and indirectly owned foreign subsidiaries are not subject to such limitation.

Note 4): The highest balance of financing to other parties as of June 30, 2020.

Note 5): The amounts were approved by the Board of Directors.

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

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of June 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account	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	1,594	62,405	1.36 %	62,405
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income—current	4,199	164,391	3.57 %	164,391
"	Handa Pharmaceuticals Inc. common stock	-	Financial assets measured at fair value through other comprehensive income—non-current	2,625	76,126	2.27 %	76,126

(In Thousands of New Taiwan Dollar)

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account	Ending balance			Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	
TSH Biopharm Co., Ltd.	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income-non-current	2,500	162,000	0.38 %	162,000
"	Union Bank of Taiwan Preferred Shares A	-	"	400	21,280	0.20 %	21,280
"	CellMax Ltd. preferred stock	-	"	1,593	49,271	2.03 %	49,271

- (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 NT\$300 million or 20% of the Company's paid-in capital: None
- (vi) Disposal of individual real estate with amount exceeding NT\$300 million or 20% of the Company's paid-in capital: None
- (vii) Related-party purchases or sales exceeding NT\$100 million or 20% of the Company's paid-in capital: None
- (viii) Receivables from related parties exceeding NT\$100 million or 20% of the Company's paid-in capital: None
- (ix) Trading in derivative instruments: None

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions between the company and its subsidiaries:

(In Thousands of New Taiwan Dollar)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco. International Co., Ltd.	1	Royalty revenue	22,288	By contract	1.12%
0	"	TSH Biopharm Co., Ltd.	1	Sales revenue	67,295	"	3.37%
0	"	"	1	Other receivables	1,925	"	0.02%
0	"	"	1	Rent income	2,080	"	0.10%
0	"	"	1	Selling expense	1,111	"	0.06%
0	"	"	1	Other income	2,416	"	0.12%
0	"	"	1	Accounts receivable	7,565	"	0.08%
0	"	American Taiwan Biopharma Phils Inc.	1	Accounts receivable	6,348	"	0.07%
0	"	"	1	Other receivable	6,967	"	0.07%
0	"	"	1	Sales revenue	3,991	"	0.20%
0	"	Chuang Yi Biotech Co., Ltd.	1	Other receivables	50,806	"	0.54%
0	"	"	1	Sales revenue	2,619	"	0.13%
0	"	"	1	Rent income	1,566	"	0.08%
1	TSH Biopharm Co., Ltd.	"	3	Other receivables	11,087	"	0.12%

Note 1): Company numbering as follows:

1.Parent company—0

2.Subsidiary starts from 1

Note 2): The numbering of the relationship between transaction parties as follows:

1.Parent company to subsidiary—1

2.Subsidiary to parent company—2

3.Subsidiary to subsidiary—3

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

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following are the information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount June 30, 2020/December 31, 2019	Balance as of June 30, 2020		Net income (losses) of investee	Share of profits/losses of investee	Note
					Shares (thousands)	Percentage of ownership			
The Company	Xudong Haiyu International Co., Ltd.	Cayman Is.	Investing activities	303,998	25,000	1,371,192	1,533	1,533	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	138,254	39,600	218,612	4,369	4,369	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	481	(579)	2,449	2,131	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	21,687	612,745	31,420	17,785	Subsidiary
The Company	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	5,000	33,491	(13,554)	(2,823)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	180,951	10,282	11,534	(7,611)	(2,901)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	25,867	780,505	63,206	11,224	Investments accounted for using equity method
The Company	American Taiwan Biopharm	Thailand	Selling chemical medicine	2,966	380	276,564	48,258	19,303	Investments accounted for using equity method
The Company	Gligio International Limited	Hong Kong	Selling chemical medicine	2,685	620	48,944	17,727	7,091	Investments accounted for using equity method
Xudong Haiyu International Co., Ltd.	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	7,000	46,091	(13,554)	(3,954)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	318	26,578	(3,829)	(3,829)	Subsidiary
Xudong Haiyu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	8,750	7,047	(542)	(271)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	13,822	8,750	7,047	(542)	(271)	Subsidiary
EnhancX Biopharm Inc.	EnhancX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	100	2,694	(206)	(206)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,232	1,320	1,549	(7,611)	(372)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	568	2,867	(1,368)	(1,368)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hong Kong) Biotech Co., Ltd.	Hong Kong	Selling functional food	4,734	1,200	2,347	(466)	(466)	Subsidiary

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of	Investment flows		Accumulated outflow of investment from Taiwan as of	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Worldco Biotech Pharmaceutical Ltd. (Chengdu)	Selling chemical medicine	49,873 CNY	(2)	84,365 CNY	-	-	84,365 CNY	394 CNY	100%	394 CNY	46,640 CNY	-
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	14,815 USD	(2)	14,815 USD	-	-	14,815 USD	(1,329) CNY	100%	(1,329) CNY	2,711 CNY	-

The exchange rate of USD to NTD as of the reporting date was 1:29.63, and the average exchange rate of USD to NTD for the reporting period was 1:30.038.

The exchange rate of CNY to NTD as of the reporting date was 1:4.191, and the average exchange rate of CNY to NTD for the reporting period was 1:4.256.

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

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

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

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 99,180	NTD 1,399,366 (USD 47,228)	NTD 2,994,915

(iii) Significant transactions: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Dawan Technology Company Limited		22,590,732	9.08 %

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

(14) Segment information:

(a) General information

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

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

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

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

For the three months ended June 30, 2020	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	China Medicine Business Unit	Other Segment	Adjustment and elimination	Total
Revenue:								
Revenue from external customers	\$ 573,106	42,153	169,254	90,118	-	26,468	-	901,099
Intersegment revenues	45,259	-	-	632	-	-	(45,891)	-
Total revenue	<u>\$ 618,365</u>	<u>42,153</u>	<u>169,254</u>	<u>90,750</u>	<u>-</u>	<u>26,468</u>	<u>(45,891)</u>	<u>901,099</u>
Reportable segment profit or loss	<u>\$ 164,834</u>	<u>10,710</u>	<u>55,745</u>	<u>9,468</u>	<u>(1,434)</u>	<u>(14,131)</u>	<u>5,094</u>	<u>230,286</u>
For the three months ended June 30, 2019								
Revenue:								
Revenue from external customers	\$ 708,520	54,378	202,198	120,085	-	5,736	-	1,090,917
Intersegment revenues	54,045	-	-	-	-	-	(54,045)	-
Total revenue	<u>\$ 762,565</u>	<u>54,378</u>	<u>202,198</u>	<u>120,085</u>	<u>-</u>	<u>5,736</u>	<u>(54,045)</u>	<u>1,090,917</u>
Reportable segment profit or loss	<u>\$ 275,039</u>	<u>12,069</u>	<u>65,944</u>	<u>10,628</u>	<u>2,062</u>	<u>(3,447)</u>	<u>(28,309)</u>	<u>333,986</u>

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

<u>For the six months ended June 30, 2020</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	\$ 1,229,085	85,879	401,119	221,649	-	56,834	-	1,994,566
Intersegment revenues	96,521	-	-	1,090	-	-	(97,611)	-
Total revenue	<u>\$ 1,325,606</u>	<u>85,879</u>	<u>401,119</u>	<u>222,739</u>	<u>-</u>	<u>56,834</u>	<u>(97,611)</u>	<u>1,994,566</u>
Reportable segment profit or loss	<u>\$ 382,360</u>	<u>20,240</u>	<u>140,039</u>	<u>39,361</u>	<u>4,335</u>	<u>(17,005)</u>	<u>(15,427)</u>	<u>553,903</u>
For the six months ended June 30, 2019								
Revenue:								
Revenue from external customers	\$ 1,428,365	114,932	395,303	256,994	-	9,931	-	2,205,525
Intersegment revenues	81,171	-	-	-	-	-	(81,171)	-
Total revenue	<u>\$ 1,509,536</u>	<u>114,932</u>	<u>395,303</u>	<u>256,994</u>	<u>-</u>	<u>9,931</u>	<u>(81,171)</u>	<u>2,205,525</u>
Reportable segment profit or loss	<u>\$ 548,047</u>	<u>29,469</u>	<u>137,168</u>	<u>42,124</u>	<u>(573)</u>	<u>(7,272)</u>	<u>(38,951)</u>	<u>710,012</u>
Reportable segment assets								
Balance on June 30, 2020	<u>\$ 7,999,637</u>	<u>73,782</u>	<u>436,084</u>	<u>1,267,385</u>	<u>219,798</u>	<u>1,811,719</u>	<u>(2,467,957)</u>	<u>9,340,448</u>
Balance on December 31, 2019	<u>\$ 8,219,383</u>	<u>35,895</u>	<u>320,739</u>	<u>1,262,672</u>	<u>229,122</u>	<u>1,923,420</u>	<u>(2,438,515)</u>	<u>9,552,716</u>
Balance on June 30, 2019	<u>\$ 8,101,460</u>	<u>40,515</u>	<u>344,066</u>	<u>1,261,101</u>	<u>264,940</u>	<u>1,658,554</u>	<u>(2,487,484)</u>	<u>9,183,152</u>