

**TTY BIOPHARM COMPANY LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2021 and 2020**

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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 September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, 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 4(b), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These financial statements reflect total assets amounting to \$260,118 thousand and \$296,533 thousand, constituting 2.67% and 3.18% of consolidated total assets as of September 30, 2021 and 2020, respectively; total liabilities amounting to \$109,767 thousand and \$131,695 thousand, constituting 2.57% and 3.74% of consolidated total liabilities as of September 30, 2021 and 2020, respectively; and total comprehensive income (loss) amounting to \$(15,764) thousand, \$65,699 thousand, \$(165) thousand and \$60,120 thousand, constituting (7.09)%, 29.58%, (0.04)% and 9.28% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, respectively.

Furthermore, as stated in Note 6(e), the investments accounted for using the equity method of TTY Biopharm Company Limited and its subsidiaries which amounting to \$347,390 thousand and \$325,977 thousand as of September 30, 2021 and 2020, respectively, and the related share of profit which amounting to \$13,023 thousand, \$18,711 thousand, \$44,582 thousand and \$45,105 thousand for the three-month and nine-month periods 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, and its consolidated cash flows for the nine months ended September 30, 2021 and 2020, 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 the 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 \$853,827 thousand and \$783,837 thousand, constituting 8.77% and 8.42% of consolidated total assets as of September 30, 2021 and 2020, respectively, and the related share of profit of associates accounted for using the equity method amounting to \$13,175 thousand, \$3,267 thousand, \$56,164 thousand and \$14,491 thousand, constituting 4.19%, 1.03%, 8.49% and 1.66% of consolidated total profit before tax for the three months and nine months ended September 30, 2021 and 2020, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
November 4, 2021

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 September 30, 2021 and 2020

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2021, December 31, 2020, and September 30, 2020

(Expressed in Thousands of New Taiwan Dollar)

Assets		September 30, 2021		December 31, 2020		September 30, 2020		Liabilities and Equity		September 30, 2021		December 31, 2020		September 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a) and (r))	\$ 2,531,855	26	2,223,730	24	2,340,416	25	2100	Short-term borrowings (note 6(i), (r) and 8)	\$ 1,459,070	15	1,715,070	18	2,068,070	22
1120	Current financial assets at fair value through other comprehensive income (note 6(b) and (r))	43,724	1	62,216	1	66,717	1	2130	Contract liabilities-current (note 6 (o))	66,387	1	16,285	-	14,758	-
1150	Notes receivable, net (note 6(c) and (r))	35,617	-	33,766	-	28,958	-	2150	Notes payable (note 6(r))	57,892	1	5,864	-	3,296	-
1170	Accounts receivable, net (note 6(c) and (r))	922,310	10	974,648	10	808,984	9	2170	Accounts payable (note 6(r))	219,673	2	153,576	2	147,966	2
1180	Accounts receivable due from related parties, net (note 6(c), (r) and 7)	19,400	-	24,854	-	5,970	-	2216	Dividends payable (note 6(m) and (r))	1,024,680	11	-	-	-	-
1200	Other receivables, net (note 6(r) and 7)	12,568	-	16,483	-	3,750	-	2219	Other payables (note 6(r))	440,573	4	497,016	5	430,932	5
130X	Inventories (note 6(d))	1,262,821	13	1,110,501	12	1,191,642	13	2230	Current tax liabilities	76,248	1	110,127	1	42,993	-
1410	Prepayments	55,335	1	64,146	1	70,338	1	2300	Other current liabilities	31,397	-	34,185	-	39,880	-
1476	Other current financial assets (note 6(h) and (r))	313,776	3	280,186	3	266,668	3	2320	Long-term liabilities, current portion (note 6(j), (r) and 8)	410,527	4	16,543	-	16,467	-
1470	Other current assets (note 6(h))	16,621	-	8,011	-	6,601	-			<u>3,786,447</u>	<u>39</u>	<u>2,548,666</u>	<u>26</u>	<u>2,764,362</u>	<u>29</u>
		<u>5,214,027</u>	<u>54</u>	<u>4,798,541</u>	<u>51</u>	<u>4,790,044</u>	<u>52</u>								
Non-current assets:								Non-current liabilities:							
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b) and (r))	225,951	2	226,241	3	279,409	3	2540	Long-term borrowings (note 6(j), (r) and 8)	5,689	-	412,051	4	416,215	4
1550	Investments accounted for using the equity method, net (note 6(e))	1,201,217	12	1,221,736	13	1,109,814	12	2570	Deferred tax liabilities	271,826	3	271,826	3	282,077	3
1600	Property, plant and equipment (note 6(g))	2,527,141	26	2,584,740	28	2,604,972	28	2640	Net defined benefit liability, non-current	42,660	-	45,500	-	54,228	1
1760	Investment property, net	135,840	1	137,270	1	137,049	2	2645	Guarantee deposits received (note 6(r))	2,428	-	2,430	-	2,427	-
1780	Intangible assets	126,007	1	132,898	1	129,669	1	2670	Other non-current liabilities (note 6(q))	167,382	2	2,268	-	-	-
1840	Deferred tax assets	61,512	1	61,798	1	45,689	-			<u>489,985</u>	<u>5</u>	<u>734,075</u>	<u>7</u>	<u>754,947</u>	<u>8</u>
1915	Prepayments for business facilities	2,822	-	4,975	-	5,875	-			<u>4,276,432</u>	<u>44</u>	<u>3,282,741</u>	<u>33</u>	<u>3,519,309</u>	<u>37</u>
1920	Refundable deposits paid (note 6(r))	24,500	-	22,019	-	25,594	-	Total liabilities							
1981	Cash surrender value of life insurance (note 6(r))	-	-	-	-	13,657	-	Equity attributable to owners of parent (note 6(m)):							
1984	Other non-current financial assets (note 6(h), (r) and 8)	157,261	2	159,514	2	152,155	2	3100	Share capital	2,486,500	26	2,486,500	27	2,486,500	27
1990	Other non-current assets (note 6(h))	58,338	1	11,077	-	16,882	-	3200	Capital surplus (note 6(e))	311,876	3	337,997	4	338,026	4
		<u>4,520,589</u>	<u>46</u>	<u>4,562,268</u>	<u>49</u>	<u>4,520,765</u>	<u>48</u>	3310	Legal reserve	1,198,617	12	1,093,808	12	1,093,808	12
		<u>\$ 9,734,616</u>	<u>100</u>	<u>9,360,809</u>	<u>100</u>	<u>9,310,809</u>	<u>100</u>	3320	Special reserve	133,709	1	110,154	1	110,154	1
								3350	Unappropriated retained earnings	922,002	10	1,555,016	17	1,269,477	14
								3400	Other equity interest	(208,577)	(2)	(133,709)	(1)	(120,585)	(1)
									Equity attributable to owners of parent:	4,844,127	50	5,449,766	60	5,177,380	57
								36XX	Non-controlling interests (note 6(m))	614,057	6	628,302	7	614,120	6
									Total equity	<u>5,458,184</u>	<u>56</u>	<u>6,078,068</u>	<u>67</u>	<u>5,791,500</u>	<u>63</u>
									Total liabilities and equity	<u>\$ 9,734,616</u>	<u>100</u>	<u>9,360,809</u>	<u>100</u>	<u>9,310,809</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 nine months ended September 30, 2021 and 2020

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

	For the three months ended September 30				For the nine months ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(o) and 7)								
	\$	1,059,933	100	1,024,439	100	3,067,163	100	3,019,005	100
5000	Operating costs (note 6(d), (k) and 12)								
		389,296	37	374,427	37	1,139,570	37	1,092,163	36
	Gross profit								
		670,637	63	650,012	63	1,927,593	63	1,926,842	64
5910	Less: Unrealized profit (loss) from sales								
		232	-	(891)	-	6,738	-	9,138	-
5920	Add: Realized profit (loss) from sales								
		-	-	-	-	6,734	-	11,903	-
	Gross profit, net								
		670,405	63	650,903	63	1,927,589	63	1,929,607	64
6000	Operating expenses (note 6(k), (p) and 12):								
6100	Selling expenses								
		212,399	20	268,991	26	664,921	22	709,699	23
6200	Administrative expenses								
		108,559	10	104,166	10	287,626	9	300,784	10
6300	Research and development expenses								
		76,896	7	60,616	6	211,295	7	205,526	7
6450	Reversal of allowance for expected credit losses (note 6(c))								
		(113)	-	(162)	-	(134)	-	(288)	-
	Total operating expenses								
		397,741	37	433,611	42	1,163,708	38	1,215,721	40
	Net operating income								
		272,664	26	217,292	21	763,881	25	713,886	24
	Non-operating income and expenses:								
7100	Interest income (note 6(q))								
		1,096	-	1,704	-	4,675	-	13,172	-
7010	Other income (note 6(q))								
		2,693	-	80,856	8	8,174	-	89,777	3
7020	Other gains and losses, net (note 6(q) and 7)								
		15,656	1	(365)	-	(202,190)	(6)	7,946	-
7050	Finance costs, net (note 6(q))								
		(4,149)	-	(4,689)	-	(13,470)	-	(13,698)	-
7060	Share of profit of associates accounted for using the equity method, net (note 6(e))								
		26,198	3	21,978	2	100,746	3	59,596	2
7055	Total non-operating income and expenses								
		41,494	4	99,484	10	(102,065)	(3)	156,793	5
	Profit before tax								
		314,158	30	316,776	31	661,816	22	870,679	29
7950	Less: Income tax expenses (note 6(l))								
		61,343	6	53,248	5	178,121	6	164,995	6
	Profit for the period								
		252,815	24	263,528	26	483,695	16	705,684	23
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								
		(8,703)	(1)	(3,568)	-	1,925	-	19,037	-
8320	Share of other comprehensive income (loss) of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss								
		(3,882)	-	(6,019)	(1)	9,139	-	(6,112)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss								
		-	-	-	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss								
		(12,585)	(1)	(9,587)	(1)	11,064	-	12,925	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation								
		(17,742)	(2)	(31,858)	(3)	(77,232)	(2)	(70,922)	(2)
8370	Share of other comprehensive income (loss) of associates accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss								
		(6)	-	7	-	67	-	(85)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss								
		-	-	-	-	-	-	-	-
	Components of other comprehensive loss that will be reclassified to profit or loss								
		(17,748)	(2)	(31,851)	(3)	(77,165)	(2)	(71,007)	(2)
8300	Other comprehensive income (loss)								
		(30,333)	(3)	(41,438)	(4)	(66,101)	(2)	(58,082)	(2)
	Total comprehensive income for the period								
	\$	222,482	21	222,090	22	417,594	14	647,602	21
	Profit attributable to:								
8610	Owners of parent								
	\$	253,355	24	222,433	22	488,378	16	661,564	22
8620	Non-controlling interests								
		(540)	-	41,095	4	(4,683)	-	44,120	1
	\$	252,815	24	263,528	26	483,695	16	705,684	23
	Comprehensive income attributable to:								
	\$	226,796	21	185,801	18	421,393	14	601,831	20
		(4,314)	-	36,289	4	(3,799)	-	45,771	1
	\$	222,482	21	222,090	22	417,594	14	647,602	21
	Earnings per share, net of tax (note 6(n))								
9750	Basic earnings per share								
	\$	1.02		0.89		1.96		2.66	
9850	Diluted earnings per share								
	\$	1.02		0.89		1.96		2.66	

See accompanying notes to financial statements.

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

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2021 and 2020

(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, 2020	\$ 2,486,500	338,514	1,003,556	110,154	1,591,777	(80,724)	120,859	40,135	5,570,636	598,428	6,169,064
Net income	-	-	-	-	661,564	-	-	-	661,564	44,120	705,684
Other comprehensive income	-	-	-	-	-	(70,959)	11,226	(59,733)	(59,733)	1,651	(58,082)
Total comprehensive income	-	-	-	-	661,564	(70,959)	11,226	(59,733)	601,831	45,771	647,602
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	90,252	-	(90,252)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(994,599)	-	-	-	(994,599)	-	(994,599)
Other changes in capital surplus:											
Changes in equity of investments accounted for using the equity method	-	(488)	-	-	-	-	-	-	(488)	-	(488)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	100,987	-	(100,987)	(100,987)	-	-	-
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(30,079)	(30,079)
Balance on September 30, 2020	\$ 2,486,500	338,026	1,093,808	110,154	1,269,477	(151,683)	31,098	(120,585)	5,177,380	614,120	5,791,500
Balance on January 1, 2021	\$ 2,486,500	337,997	1,093,808	110,154	1,555,016	(146,611)	12,902	(133,709)	5,449,766	628,302	6,078,068
Net income	-	-	-	-	488,378	-	-	-	488,378	(4,683)	483,695
Other comprehensive income	-	-	-	-	-	(77,211)	10,226	(66,985)	(66,985)	884	(66,101)
Total comprehensive income	-	-	-	-	488,378	(77,211)	10,226	(66,985)	421,393	(3,799)	417,594
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	104,809	-	(104,809)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	23,555	(23,555)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(994,600)	-	-	-	(994,600)	-	(994,600)
Other changes in capital surplus:											
Changes in equity of investments accounted for using the equity method	-	(13,893)	-	-	-	-	-	-	(13,893)	-	(13,893)
Other changes in capital surplus	-	710	-	-	-	-	-	-	710	-	710
Difference between consideration value and carrying amount of subsidiaries acquired or disposed	-	(13,155)	-	-	(6,311)	-	-	-	(19,466)	19,466	-
Changes in ownership interests in subsidiaries	-	217	-	-	-	-	-	-	217	168	385
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	7,883	-	(7,883)	(7,883)	-	-	-
Distribution of dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(30,080)	(30,080)
Balance on September 30, 2021	\$ 2,486,500	311,876	1,198,617	133,709	922,002	(223,822)	15,245	(208,577)	4,844,127	614,057	5,458,184

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 nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 661,816	870,679
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	107,608	102,981
Amortization expenses	16,189	14,768
Reversal of allowance for expected credit losses	(134)	(288)
Net losses on financial assets or liabilities at fair value through profit or loss	-	1,558
Interest expenses	13,470	13,698
Interest income	(4,675)	(13,172)
Dividend income	(6,360)	(6,420)
Shares of profit of investments accounted for using the equity method	(100,746)	(59,596)
Losses on disposal of property, plant and equipment	115	258
Gains (losses) on disposal of investments	205	(1,707)
Unrealized profit from sales	6,738	9,138
Realized profit from sales	(6,734)	(11,903)
Total adjustments to reconcile profit (loss)	25,676	49,315
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(1,851)	5,761
Accounts receivable	57,790	148,381
Other receivables	3,330	116,029
Inventories	(152,672)	(332,879)
Prepayments and other current assets	45	14,849
Total changes in operating assets	(93,358)	(47,859)
Changes in operating liabilities:		
Contract liabilities	50,102	(1,920)
Notes payable	209,628	1,842
Accounts payable	66,878	(32,017)
Other payable	(56,074)	(143,199)
Other current liabilities	(10,246)	(107,102)
Net defined benefit liability	(2,840)	(2,028)
Total changes in operating liabilities	257,448	(284,424)
Total changes in operating assets and liabilities	164,090	(332,283)
Total adjustments	189,766	(282,968)
Cash inflow generated from operations	851,582	587,711
Interest received	4,501	13,108
Dividends received	79,521	27,347
Interest paid	(13,673)	(14,252)
Income taxes paid	(211,958)	(310,868)
Net cash flows from operating activities	709,973	303,046
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	20,708	201,817
Proceeds from disposal of financial assets at fair value through profit or loss	-	4,316
Acquisition of property, plant and equipment	(32,749)	(148,171)
Proceeds from disposal of property, plant and equipment	11	13
(Increase) decrease in refundable deposits paid	(2,484)	5,535
Acquisition of intangible assets	(8,807)	(5,424)
Increase (decrease) in other financial assets	(31,337)	72,429
Increase in prepayments for business facilities	(1,365)	(7,214)
Increase in other non-current assets	(47,009)	(8,331)
Net cash flows (used in) from investing activities	(103,032)	114,970
Cash flows from (used in) financing activities:		
Increase in short-term loans	3,550,000	4,270,000
Decrease in short-term loans	(3,806,000)	(3,763,000)
Proceeds from long-term borrowings	-	720,000
Repayments of long-term borrowings	(12,378)	(659,562)
Decrease in other non-current liabilities	-	(1,148)
Cash dividends paid	-	(994,599)
Dividends unclaimed by shareholders	1,095	-
Change in non-controlling interests	-	(30,079)
Net cash flows used in financing activities	(267,283)	(458,388)
Effect of exchange rate changes on cash and cash equivalents	(31,533)	(41,370)
Net increase (decrease) in cash and cash equivalents	308,125	(81,742)
Cash and cash equivalents at beginning of period	2,223,730	2,422,158
Cash and cash equivalents at end of period	\$ 2,531,855	2,340,416

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

September 30, 2021 and 2020

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

(1) Company history

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on November 4, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

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

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
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.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the "Regulations" and IFRSs), International Accounting Standards, 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 accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
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	49.05 %	38.12 %	38.12 %	(Notes 2 and 3)
Worldco International Co., Ltd.	Worldco Biotech(Chengdu) Pharmaceutical Ltd.	Selling medicine	100.00 %	100.00 %	100.00 %	
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
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 %	

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
Xudong Haipu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Selling medicine	50.00 %	50.00 %	50.00 %	
EnhanceX Biopharm Inc.	EnhanceX Biopharm B.V.	Developing medicine	100.00 %	100.00 %	100.00 %	
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Selling functional food	3.89 %	4.89 %	4.89 %	(Notes 2 and 3)
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Import and export trading and investment activities	100.00 %	100.00 %	100.00 %	(Note 3)
Chuang Yi Biotech Co., Ltd.	Chuang Yi (Hong Kong) Biotech Co., Ltd.	Selling functional food	- %	100.00 %	100.00 %	(Note 1)
Immortal Fame Global Ltd.	Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	100.00 %	100.00 %	100.00 %	(Note 3)

(Note 1) In order to simplify the organizational structure and reduce operating costs, the Group decided to liquidate Chuang Yi (Hong Kong) Biotech Co., Ltd. on June 29, 2020. And the liquidation was completed on February 25, 2021.

(Note 2) 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 Biotech Co., Ltd., to acquire 6,364 thousand shares of Chuang Yi Biotech Co., Ltd. with the authorization fee of the distribution contract. The Group's shareholding ratio in Chuang Yi Biotech Co., Ltd. will increase from 43.01% to 52.94%. The legal procedures have already been completed on January 25, 2021.

(Note 3) Non-significant subsidiary whose financial statements have not been reviewed.

(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 using 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.

(Continued)

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

(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.

(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, 2020. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated interim financial statements for the current period and the consolidated financial statements for the year ended December 31, 2020. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Cash on hand	\$ 2,609	2,840	3,125
Cash in banks	1,259,546	1,024,730	1,098,015
Time deposits	<u>1,269,700</u>	<u>1,196,160</u>	<u>1,239,276</u>
Total	<u>\$ 2,531,855</u>	<u>2,223,730</u>	<u>2,340,416</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(h).
- (iii) Please refer to Note 6(r) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

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

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Equity investments at fair value through other comprehensive income:			
Domestic common stock—Lumosa Therapeutics Co., Ltd.	\$ 43,724	62,216	66,717
Domestic common stock—Handa Pharmaceuticals, Inc.	-	-	53,048
Domestic preferred stock—Fubon Financial Holding Co., Ltd. Preferred Shares B	156,000	156,250	156,250
Domestic preferred stock—Union Bank of Taiwan Preferred Shares A	20,680	20,720	20,840
International preferred stock—CellMax Ltd.	49,271	49,271	49,271
	<u>\$ 269,675</u>	<u>288,457</u>	<u>346,126</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) The Group sold its shares amounting to \$20,708 thousand, and \$201,817 thousand, resulting in a gain on disposal of \$13,958 thousand, and \$132,474 thousand, of which attributable to the Group amounting \$7,883 thousand, and \$100,987 thousand for the nine months ended September 30, 2021 and 2020, respectively. The gain on disposal of strategic investments has already been reclassified from other comprehensive income to retained earnings.
- (iii) Please refer to Note 6(r) for information on credit and market risk.
- (iv) The above financial assets were not pledged as collateral.

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Notes receivable	\$ 35,631	33,766	28,958
Accounts receivable	944,103	996,589	830,734
Accounts receivable-related parties	19,400	24,854	5,970
Less: Allowance for expected credit losses	(21,807)	(21,941)	(21,750)
	<u>\$ 977,327</u>	<u>1,033,268</u>	<u>843,912</u>

(Continued)

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

The Group applies the simplified approach to evaluate its expected credit losses (ECLs), i.e. the Group recognizes the impairment provision for lifetime ECLs for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The allowance for expected loss were determined as follows:

	September 30, 2021		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not past due	\$ 966,956	0%~1%	4,417
1 to 90 days past due	8,193	0%~6%	121
91 to 180 days past due	2,828	0%~50%	9
More than 181 days past due	21,157	0%~100%	17,260
	<u>\$ 999,134</u>		<u>21,807</u>
	December 31, 2020		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not past due	\$ 1,021,479	0%~1%	3,208
1 to 90 days past due	15,257	4%~6%	718
91 to 180 days past due	1,015	50%~55%	557
More than 181 days past due	17,458	100%	17,458
	<u>\$ 1,055,209</u>		<u>21,941</u>
	September 30, 2020		
	Face value of notes receivable and accounts receivable	Weighted average loss rate	Allowance for expected credit losses
Not past due	\$ 840,703	0%~1%	3,389
1 to 90 days past due	6,644	4%~6%	276
91 to 180 days past due	473	50%~55%	243
More than 181 days past due	17,842	100%	17,842
	<u>\$ 865,662</u>		<u>21,750</u>

(Continued)

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

The movements in the allowance for expected credit loss were as follows:

	For the nine months ended September 30,	
	2021	2020
Balance at January 1	\$ 21,941	22,038
Reversal of expected credit losses	(134)	(288)
Balance at September 30	\$ 21,807	21,750

As of September 30, 2021, December 31, 2020 and September 30, 2020, the notes receivable and accounts receivable for the Group were not pledged as collateral.

(d) Inventories

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandise	\$ 424,316	298,612	373,242
Finished goods	232,694	311,059	329,568
Work in process	127,359	82,882	86,208
Raw materials	345,396	330,108	324,267
Materials	59,344	56,892	54,758
Subtotal	1,189,109	1,079,553	1,168,043
Goods in transit	150,752	108,821	70,978
Total	1,339,861	1,188,374	1,239,021
Less: Allowance for inventory market decline and obsolescence	(77,040)	(77,873)	(47,379)
Net amount	\$ 1,262,821	1,110,501	1,191,642

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Inventories have been sold	\$ 371,686	373,126	1,116,928	1,089,683
Cost of services	13,539	-	13,539	24
Write-off of inventories from cost to net realizable value and obsolete inventories	4,071	1,301	9,103	2,456
	\$ 389,296	374,427	1,139,570	1,092,163

(ii) As of September 30, 2021, December 31, 2020 and September 30, 2020, the inventories were not pledged as collateral.

(Continued)

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

(e) Investments accounted for using the equity method

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

	September 30, 2021	December 31, 2020	September 30, 2020
Associates	<u>\$ 1,201,217</u>	<u>1,221,736</u>	<u>1,109,814</u>

- 1) As of September 30, 2021, December 31, 2020 and September 30, 2020, the associate which the Group invested had a quoted market price were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying value	<u>\$ 853,827</u>	<u>877,057</u>	<u>783,837</u>
Fair value	<u>\$ 1,433,021</u>	<u>1,497,688</u>	<u>1,577,875</u>

- 2) For the nine months ended September 30, 2021 and 2020, PharmaEngine, Inc. amortized the compensation cost of employee stock options, expired employee stock option, and purchase of treasury stocks, which resulted in a change in the shareholding ratio, and such change was debit of \$13,893 thousand and \$488 thousand, respectively, to its capital reserve. For the nine months ended September 30, 2021 and 2020, the Group's shareholding ratio rose from 17.77% to 18.01% and 17.76% to 17.77%, respectively.

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

Associate	Nature of relationship	Country of registration	Equity ownership		
			September 30, 2021	December 31, 2020	September 30, 2020
PharmaEngine, Inc.	Research for new drugs and drug development especially for Asian diseases	Taiwan	18.01 %	17.77 %	17.77 %

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.

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	<u>\$ 3,887,546</u>	<u>4,169,858</u>	<u>3,561,847</u>
Non-current assets	18,888	37,053	63,420
Current liabilities	(76,453)	(184,462)	(125,043)
Non-current liabilities	<u>(1,282)</u>	<u>(11,316)</u>	<u>(13,681)</u>
Net assets	<u>\$ 3,828,699</u>	<u>4,011,133</u>	<u>3,486,543</u>
Net assets attributable to investee owners	<u>\$ 3,828,699</u>	<u>4,011,133</u>	<u>3,486,543</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating revenue	\$ <u>177,126</u>	<u>95,668</u>	<u>451,034</u>	<u>269,547</u>
Profit from continuing operations	\$ 73,154	18,386	314,501	81,592
Other comprehensive (loss) income	(37)	43	378	(476)
Total comprehensive income	\$ <u>73,117</u>	<u>18,429</u>	<u>314,879</u>	<u>81,116</u>
Comprehensive income attributable to investee owners	\$ <u>73,117</u>	<u>18,429</u>	<u>314,879</u>	<u>81,116</u>

	For the nine months ended September 30,	
	2021	2020
Net assets attributable to the Group, January 1	\$ 712,779	618,580
Changes in capital surplus of associates	(13,893)	(488)
Comprehensive income attributable to the Group	56,231	14,406
Cash dividends received from associates	(65,568)	(12,939)
Net assets attributable to the Group, September 30	689,549	619,559
Add: Goodwill	164,278	164,278
Carrying amount of interest in associates, September 30	\$ <u>853,827</u>	<u>783,837</u>

(iii) Summary financial information on individually insignificant associates

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

	September 30, 2021	December 31, 2020	September 30, 2020
	Carrying amount of individually insignificant associates	\$ <u>347,390</u>	<u>344,679</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Attributable to the Group:				
Profit from continuing operations	\$ 13,023	18,711	44,582	45,105
Other comprehensive (loss) income	(19,418)	(19,036)	(34,274)	(31,926)
Total comprehensive income	\$ <u>(6,395)</u>	<u>(325)</u>	<u>10,308</u>	<u>13,179</u>

(Continued)

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

(iv) Collateral

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group did not provide any investment accounted for using equity method as collateral.

(v) The unreviewed financial statements of investments accounted for using the 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 recognized based on the financial statements have not been reviewed.

(f) 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
TSH Biopharm Co., Ltd.	Taiwan	56.48 %	56.48 %	56.48 %
EnhanX Biopharm Inc.	Taiwan	50.00 %	50.00 %	50.00 %
Chuang Yi Biotech Co., Ltd.	Taiwan	52.94 %	43.01 %	43.01 %

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current assets	\$ 975,471	943,841	885,550
Non-current assets	271,071	276,298	322,769
Current liabilities	(161,373)	(98,618)	(99,632)
Non-current liabilities	(1,109)	(4,418)	-
Net assets	<u>\$ 1,084,060</u>	<u>1,117,103</u>	<u>1,108,687</u>
Net assets attributable to non-controlling interest	<u>\$ 471,716</u>	<u>485,946</u>	<u>482,377</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating revenue	\$ <u>98,850</u>	<u>100,252</u>	<u>305,891</u>	<u>322,991</u>
Profit	\$ 9,781	18,602	31,865	50,022
Other comprehensive (loss) income	(8,703)	(11,096)	1,931	3,901
Comprehensive income	\$ <u>1,078</u>	<u>7,506</u>	<u>33,796</u>	<u>53,923</u>
Profit attributable to non-controlling interest	\$ <u>4,337</u>	<u>8,023</u>	<u>14,018</u>	<u>21,727</u>
Comprehensive income attributable to non-controlling interest	\$ <u>551</u>	<u>3,194</u>	<u>14,859</u>	<u>23,425</u>

	For the nine months ended September 30,	
	2021	2020
Cash flows from operating activities	\$ 58,834	6,461
Cash flows (used in) from investing activities	(6,247)	183,283
Cash flows used in financing activities	(3,269)	(72,294)
Net increase in cash	\$ <u>49,318</u>	<u>117,450</u>

(ii) Summary financial information on EnhanX Biopharm Inc.

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 30,274	42,556	46,715
Non-current assets	99,477	106,875	109,474
Current liabilities	(1,912)	(2,334)	(1,681)
Non-current liabilities	-	-	(119)
Net assets	\$ <u>127,839</u>	<u>147,097</u>	<u>154,389</u>
Net assets attributable to non-controlling interests	\$ <u>63,920</u>	<u>73,548</u>	<u>77,194</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating revenue	\$ -	-	-	-
Loss	\$ (7,298)	(6,467)	(19,078)	(20,021)
Other comprehensive (loss) income	(49)	71	(180)	42
Comprehensive loss	\$ (7,347)	(6,396)	(19,258)	(19,979)
Loss attributable to non-controlling interest	\$ (3,649)	(3,234)	(9,539)	(10,011)
Comprehensive loss attributable to non-controlling interest	\$ (3,673)	(3,199)	(9,628)	(9,990)

	For the nine months ended September 30,	
	2021	2020
Cash flows used in operating activities	\$ (12,260)	(20,141)
Net decrease in cash	\$ (12,260)	(20,141)

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

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 250,744	280,751	298,786
Non-current assets	67,620	84,790	74,183
Current liabilities	(145,576)	(234,943)	(245,275)
Non-current liabilities	(6,516)	(15,185)	(32,682)
Net assets	\$ 166,272	115,413	95,012
Net assets attributable to non-controlling interests	\$ 78,248	68,612	54,147

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating revenue	\$ <u>78,856</u>	<u>25,214</u>	<u>157,155</u>	<u>73,256</u>
(Loss) profit	\$ (2,755)	63,334	(19,287)	55,723
Other comprehensive (loss) income	(6)	(7)	147	(93)
Comprehensive (loss) income	\$ <u>(2,761)</u>	<u>63,327</u>	<u>(19,140)</u>	<u>55,630</u>
(Loss) profit attributable to non-controlling interest	\$ <u>(1,297)</u>	<u>36,094</u>	<u>(9,077)</u>	<u>31,756</u>
Comprehensive (loss) profit \$ attributable to non- controlling interest	<u>(1,299)</u>	<u>36,090</u>	<u>(9,007)</u>	<u>31,703</u>

	For the nine months ended September 30,	
	2021	2020
Cash flows from operating activities	\$ 4,491	77,025
Cash flows used in investing activities	(1,861)	(229)
Cash flows (used in) from financing activities	(28,905)	24,038
Effect of exchange rates changes on cash and cash equivalents	150	(90)
Net (decrease) increase in cash	\$ <u>(26,125)</u>	<u>100,744</u>

(g) Property, plant and equipment

The details of the property, plant and equipment of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

	Building and construction							Total
	Land	construction	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	
Cost:								
Balance on January 1, 2021	\$ 902,897	1,310,711	707,991	5,601	510,066	10,589	323,327	3,771,182
Additions	-	14,869	4,823	-	12,630	2,125	11,619	46,066
Disposals	-	(908)	(698)	-	(5,667)	-	-	(7,273)
Reclassification	-	992	74,142	-	18,077	-	(90,185)	3,026
Adjustment for foreign currency translation	-	-	(8)	-	(55)	(8)	-	(71)
Balance on September 30, 2021	\$ <u>902,897</u>	<u>1,325,664</u>	<u>786,250</u>	<u>5,601</u>	<u>535,051</u>	<u>12,706</u>	<u>244,761</u>	<u>3,812,930</u>
Balance on January 1, 2020	\$ 816,169	1,316,857	674,001	5,938	491,997	10,589	149,785	3,465,336
Additions	117,345	11,088	2,344	-	13,301	-	4,093	148,171
Disposals	-	(1,827)	(2,476)	(154)	(2,796)	-	-	(7,253)
Reclassification	(30,617)	(13,522)	96	-	2,264	-	200,238	158,459
Adjustment for foreign currency translation	-	-	(4)	-	-	2	-	(2)
Balance on September 30, 2020	\$ <u>902,897</u>	<u>1,312,596</u>	<u>673,961</u>	<u>5,784</u>	<u>504,766</u>	<u>10,591</u>	<u>354,116</u>	<u>3,764,711</u>

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
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	<u>Land</u>	<u>Building and construction</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Accumulated depreciation:								
Balance on January 1, 2021	\$ -	430,246	381,497	4,264	361,682	8,753	-	1,186,442
Depreciation	-	46,531	33,098	706	25,461	758	-	106,554
Disposals	-	(909)	(698)	-	(5,540)	-	-	(7,147)
Adjustment for foreign currency translation	-	-	(4)	-	(48)	(8)	-	(60)
Balance on September 30, 2021	<u>\$ -</u>	<u>475,868</u>	<u>413,893</u>	<u>4,970</u>	<u>381,555</u>	<u>9,503</u>	<u>-</u>	<u>1,285,789</u>
Balance on January 1, 2020	\$ -	377,556	345,217	3,601	337,164	7,521	-	1,071,059
Depreciation	-	47,877	29,177	752	23,206	924	-	101,936
Disposals	-	(1,827)	(2,449)	(134)	(2,572)	-	-	(6,982)
Reclassification	-	(6,279)	-	-	-	-	-	(6,279)
Adjustment for foreign currency translation	-	-	(1)	-	4	2	-	5
Balance on September 30, 2020	<u>\$ -</u>	<u>417,327</u>	<u>371,944</u>	<u>4,219</u>	<u>357,802</u>	<u>8,447</u>	<u>-</u>	<u>1,159,739</u>
Carrying value:								
Balance on January 1, 2021	<u>\$ 902,897</u>	<u>880,465</u>	<u>326,494</u>	<u>1,337</u>	<u>148,384</u>	<u>1,836</u>	<u>323,327</u>	<u>2,584,740</u>
Balance on September 30, 2021	<u>\$ 902,897</u>	<u>849,796</u>	<u>372,357</u>	<u>631</u>	<u>153,496</u>	<u>3,203</u>	<u>244,761</u>	<u>2,527,141</u>
Balance on January 1, 2020	<u>\$ 816,169</u>	<u>939,301</u>	<u>328,784</u>	<u>2,337</u>	<u>154,833</u>	<u>3,068</u>	<u>149,785</u>	<u>2,394,277</u>
Balance on September 30, 2020	<u>\$ 902,897</u>	<u>895,269</u>	<u>302,017</u>	<u>1,565</u>	<u>146,964</u>	<u>2,144</u>	<u>354,116</u>	<u>2,604,972</u>

(i) Collateral

As of September 30, 2021, December 31, 2020 and September 30, 2020 the property, plant and equipment were not pledged as collateral.

(ii) Construction in progress

As of the reporting date, construction in progress has incurred expenditures amounting to \$244,761 thousand, and there were no capitalized loan cost for the nine months ended September 30, 2021 and 2020.

(h) Other financial assets and other assets

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other current financial assets	\$ 313,776	280,186	266,668
Other non-current financial assets	157,261	159,514	152,155
Long-term prepayments	57,945	10,936	16,237
Others	17,014	8,152	7,246
	<u>\$ 545,996</u>	<u>458,788</u>	<u>442,306</u>

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

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

(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.

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Secured bank loans	\$ 59,070	65,070	68,070
Unsecured bank loans	1,400,000	1,650,000	2,000,000
	<u>\$ 1,459,070</u>	<u>1,715,070</u>	<u>2,068,070</u>
Unused credit line	<u>\$ 1,469,837</u>	<u>1,178,789</u>	<u>1,029,733</u>
Range of interest rates	<u>0.73%~2.00%</u>	<u>0.77%~2.00%</u>	<u>0.77%~2.00%</u>

(i) For the nine months ended September 30, 2021 and 2020, the Group had the additional short-term borrowings amounting to \$3,550,000 thousand with an interest rate of 0.73%~0.82% and \$4,270,000 thousand with an interest rate of 0.77%~2.00%, respectively; the repayment amounted to \$3,806,000 thousand and \$3,763,000 thousand, respectively. Please refer to Note 6(q) for disclosure of interest expense.

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

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

(j) Long-term borrowings

The long-term borrowings were summarized as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Secured bank loans	\$ 16,216	28,594	32,682
Unsecured bank loans	400,000	400,000	400,000
Less: Current portion	(410,527)	(16,543)	(16,467)
Total	<u>\$ 5,689</u>	<u>412,051</u>	<u>416,215</u>
Unused long-term credit line	<u>\$ 300,000</u>	<u>300,000</u>	<u>300,000</u>
Range of interest rates	<u>0.988%~1.945%</u>	<u>0.987%~1.945%</u>	<u>0.989%~1.945%</u>

There were no significant issues, repurchases and repayments of long-term borrowings for the nine months ended September 30, 2021 and 2020. Please refer to Note 6(q) for related disclosure of interest expense, Note 6(r) for related risk exposure information and Note 8 for the collateral for long-term borrowings.

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

(k) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating cost	\$ 43	93	128	280
Selling expenses	35	88	105	263
Administrative expenses	33	44	98	133
Research and development expenses	25	59	75	177
Total	<u>\$ 136</u>	<u>284</u>	<u>406</u>	<u>853</u>

(ii) Defined contributions plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and nine months ended September 30, 2021 and 2020, were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating cost	\$ 2,405	2,493	8,376	8,321
Selling expenses	3,131	3,546	10,768	10,005
Administrative expenses	1,727	1,742	5,624	5,112
Research and development expenses	1,493	1,430	5,085	4,753
Total	<u>\$ 8,756</u>	<u>9,211</u>	<u>29,853</u>	<u>28,191</u>

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

(l) Income Tax

(i) Income tax expense

The components of income tax for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 61,360	52,607	178,138	164,354
Adjustment for prior periods	(17)	641	(17)	641
Income tax expense from continuing operations	<u>\$ 61,343</u>	<u>53,248</u>	<u>178,121</u>	<u>164,995</u>

(ii) Except for the year of 2018, the Company's income tax return through 2019 have been assessed and approved by the Tax Authorities.

(m) Capital and other equity

There was no significant change in capital and other equity for the nine months ended September 30, 2021 and 2020. For the related information, please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2020.

(i) Capital surplus

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

	September 30, 2021	December 31, 2020	September 30, 2020
Share capital	\$ 484	484	484
Long term investment	310,682	337,513	337,542
Other	710	-	-
	<u>\$ 311,876</u>	<u>337,997</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.

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

(ii) Retained earnings

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

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

As of September 30, 2021 and 2020, the special reserve appropriated from the undistributed earnings amounted to \$133,709 thousand and \$110,154 thousand, respectively.

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

3) Earnings distribution

On August 25, 2021 and June 12, 2020, the general meeting of shareholders resolved to appropriate 2020 and 2019 earnings, respectively. The appropriation and dividends per share were as follows:

	2020		2019	
	Amount per share (dollars)	Amount	Amount per share (dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.00	<u>994,600</u>	4.00	<u>994,599</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, 2021	\$ (146,611)	12,902	(133,709)
Exchange differences on foreign operations	(77,278)	-	(77,278)
Exchange differences of associates accounted for using the equity method	67	-	67
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	1,087	1,087
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	9,139	9,139
Disposal of equity instrument measured at fair value through other comprehensive income which was transferred to retained earnings	-	(7,883)	(7,883)
Balance on September 30, 2021	<u>\$ (223,822)</u>	<u>15,245</u>	<u>(208,577)</u>
Balance on January 1, 2020	\$ (80,724)	120,859	40,135
Exchange differences on foreign operations	(70,874)	-	(70,874)
Exchange differences of associates accounted for using the equity method	(85)	-	(85)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	17,338	17,338
Unrealized losses from financial assets measured at fair value through other comprehensive income, associates accounted for using the equity method	-	(6,112)	(6,112)
Disposal of equity instrument measured at fair value through other comprehensive income which was transferred to retained earnings	-	(100,987)	(100,987)
Balance on September 30, 2020	<u>\$ (151,683)</u>	<u>31,098</u>	<u>(120,585)</u>

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(iv) Non-controlling interests

	For the nine months ended September 30,	
	2021	2020
Balance on January 1	\$ 628,302	598,428
Attributable to non-controlling interests:		
(Losses) profit	(4,683)	44,120
Exchange differences on translation in foreign operations	46	(48)
Changes in ownership interest in subsidiaries	19,466	-
Unrealized gains on financial assets	838	1,699
Cash dividend distributed	(30,080)	(30,079)
Others	168	-
Balance on September 30	<u>\$ 614,057</u>	<u>614,120</u>

(n) Earnings per share

For the three months and nine months ended September 30, 2021 and 2020, the Company's earnings per share were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Basic earnings per share				
Profit attributable to ordinary shareholders of the company	\$ <u>253,355</u>	<u>222,433</u>	<u>488,378</u>	<u>661,564</u>
Weighted average number of ordinary shares	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>	<u>248,650</u>
	<u>\$ 1.02</u>	<u>0.89</u>	<u>1.96</u>	<u>2.66</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the company (diluted)	\$ <u>253,355</u>	<u>222,433</u>	<u>488,378</u>	<u>661,564</u>
Weighted average number of ordinary shares	248,650	248,650	248,650	248,650
Effect of employees' compensation	140	188	235	287
Weighted average number of ordinary shares (diluted)	<u>248,790</u>	<u>248,838</u>	<u>248,885</u>	<u>248,937</u>
	<u>\$ 1.02</u>	<u>0.89</u>	<u>1.96</u>	<u>2.66</u>

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(o) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended September 30, 2021						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 584,616	39,538	200,580	94,590	79,714	999,038
Other countries	54,677	-	-	3,823	2,395	60,895
	<u>\$ 639,293</u>	<u>39,538</u>	<u>200,580</u>	<u>98,413</u>	<u>82,109</u>	<u>1,059,933</u>
Major products/services lines:						
Medicine and functional food	\$ 626,764	39,538	200,580	98,413	81,252	1,046,547
Services	12,529	-	-	-	857	13,386
	<u>\$ 639,293</u>	<u>39,538</u>	<u>200,580</u>	<u>98,413</u>	<u>82,109</u>	<u>1,059,933</u>
For the three months ended September 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	\$ 560,628	64,413	221,599	99,832	26,930	973,402
Other countries	47,983	-	-	-	3,054	51,037
	<u>\$ 608,611</u>	<u>64,413</u>	<u>221,599</u>	<u>99,832</u>	<u>29,984</u>	<u>1,024,439</u>
Major products/services lines:						
Medicine and functional food	\$ 603,535	64,413	221,599	99,832	28,269	1,017,648
Services	4,886	-	-	-	1,715	6,601
Royalty	190	-	-	-	-	190
	<u>\$ 608,611</u>	<u>64,413</u>	<u>221,599</u>	<u>99,832</u>	<u>29,984</u>	<u>1,024,439</u>

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For the nine months ended September 30, 2021						
	Oncology Business Unit	Health Care Unit	Anti- Infection Business Unit	Domestic Cardiovascular and Gastrointestinal Drugs Business Unit	Other Segment	Total
Primary geographical markets:						
Taiwan	\$ 1,688,856	118,048	609,235	298,394	158,741	2,873,274
Other countries	181,305	-	90	5,759	6,735	193,889
	<u>\$ 1,870,161</u>	<u>118,048</u>	<u>609,325</u>	<u>304,153</u>	<u>165,476</u>	<u>3,067,163</u>
Major products/services lines:						
Medicine and functional food	\$ 1,845,506	118,048	609,325	304,153	163,762	3,040,794
Services	24,655	-	-	-	1,714	26,369
	<u>\$ 1,870,161</u>	<u>118,048</u>	<u>609,325</u>	<u>304,153</u>	<u>165,476</u>	<u>3,067,163</u>
For the nine months ended September 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	\$ 1,631,288	150,292	620,161	321,481	77,509	2,800,731
Other countries	206,408	-	2,557	-	9,309	218,274
	<u>\$ 1,837,696</u>	<u>150,292</u>	<u>622,718</u>	<u>321,481</u>	<u>86,818</u>	<u>3,019,005</u>
Major products/services lines:						
Medicine and functional food	\$ 1,820,795	150,292	621,150	321,294	82,437	2,995,968
Services	15,367	-	1,568	187	4,381	21,503
Royalty	1,534	-	-	-	-	1,534
	<u>\$ 1,837,696</u>	<u>150,292</u>	<u>622,718</u>	<u>321,481</u>	<u>86,818</u>	<u>3,019,005</u>

(ii) Contract balances

	September 30, 2021	December 31, 2020	September 30, 2020
Contract liability	<u>\$ 66,387</u>	<u>16,285</u>	<u>14,758</u>

The amount of revenue recognized for the nine months ended September 30, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$8,958 thousand and \$9,294 thousand, respectively.

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(p) Remunerations to employees, directors and supervisors

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

For the three months and nine months ended September 30, 2021 and 2020, the Company accrued and recognized its employee remuneration amounting to \$4,764 thousand, \$4,233 thousand, \$10,071 thousand, and \$12,504 thousand, respectively, as well as its remuneration to directors amounting to \$3,176 thousand, \$2,822 thousand, \$6,714 thousand, and \$8,336 thousand, respectively. These amounts were calculated by using the Company's profit before tax for the period before deducting the amounts of the remuneration to employees and directors based on the Company's Articles of Associations, and the amount was 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 estimation and recognized as profit or loss in the following year.

For the years ended December 31, 2020 and 2019, the Company accrued and recognized its employee compensation both amounting to \$23,195 thousand, and its remuneration to directors both amounting to \$14,950 thousand. The actual distribution and related information can be accessed from the website of Market Observation Post System.

(q) Non-operating income and expenses

(i) Interest income

The details of total interest income for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	<u>\$ 1,096</u>	<u>1,704</u>	<u>4,675</u>	<u>13,172</u>

(ii) Other income

The details of other income for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Rent revenue	\$ 2,693	2,339	8,174	11,260
Compensation income	-	75,761	-	75,761
Others	-	2,756	-	2,756
	<u>\$ 2,693</u>	<u>80,856</u>	<u>8,174</u>	<u>89,777</u>

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In February 2020, Belviq, a product sold by Chuang Yi Biotech Co., Ltd. (Chuang Yi), was considered to have a higher risk of getting cancer according to the result of a clinical trial conducted by U.S. Food and Drug Administration. Therefore, Eisai Co., Ltd., the license holder of Belviq, recalled its public trading permission in the U.S.. In addition, Taiwan Food and Drug Administration also requested Chuang Yi to suspend the sales of Belviq and reassessed the product for safety concerns. Chuang Yi signed a settlement agreement with Eisai Co., Ltd. in September 2020, wherein Eisai Co., Ltd. promised to compensate the recalling expense and the cost of inventories. Upon receiving the compensation, Chuang Yi wrote off the other receivables and recognized the remaining balance amounting to \$75,761 thousand as compensation income.

(iii) Other gains and losses

The details of other gains and losses for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Losses on disposal of property, plant and equipment	\$ (16)	(243)	(115)	(258)
(Losses) gains on disposal of investments	-	-	(205)	1,707
Dividend income	6,360	6,360	6,360	6,420
Foreign exchange gains (losses)	487	(4,765)	(6,138)	(9,295)
Losses on financial assets measured at fair value through profit or loss	-	-	-	(1,558)
Other gains and losses	8,825	(1,717)	(202,092)	10,930
	<u>\$ 15,656</u>	<u>(365)</u>	<u>(202,190)</u>	<u>7,946</u>

On May 14, 2021, the Company received a decision from the Fair Trade Commission, stating that the agreement between the Company and Lotus Pharmaceutical Co., Ltd. for exclusive right to sell “Furil Capsules” since February 4, 2009, was regarded as a concerted action. Therefore, the Company was fined with \$220,000 thousand, which was accounted for other gains and losses. On July 12, 2021, the Company filed a complaint with Taipei High Administrative Court to revoke the decision, and the court has accepted the case.

(iv) Finance costs

The details of finance costs for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Interest expense	\$ 4,149	4,689	13,470	13,698

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(r) 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 related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

For credit risk exposure of notes and accounts receivables, please refer to Note 6(c).

For the information of financial assets measured at amortized cost which includes other receivables and time deposit, please refer to Note 6(h). 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 regard 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, 2020.

(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>
September 30, 2021					
Non-derivative financial liabilities					
Bank loans	\$ 1,875,286	1,881,417	1,875,679	5,738	-
Non-interest-bearing liabilities (including related parties)	1,900,418	1,900,418	1,742,818	110,400	47,200
Guarantee deposits received	<u>2,428</u>	<u>2,428</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,778,132</u>	<u>3,784,263</u>	<u>3,620,925</u>	<u>116,138</u>	<u>47,200</u>
December 31, 2020					
Non-derivative financial liabilities					
Bank loans	\$ 2,143,664	2,153,025	1,738,526	414,499	-
Non-interest-bearing liabilities (including related parties)	656,456	656,456	656,456	-	-
Guarantee deposits received	<u>2,430</u>	<u>2,430</u>	<u>2,430</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,802,550</u>	<u>2,811,911</u>	<u>2,397,412</u>	<u>414,499</u>	<u>-</u>
September 30, 2020					
Non-derivative financial liabilities					
Bank loans	\$ 2,500,752	2,512,305	2,092,578	419,727	-
Non-interest-bearing liabilities (including related parties)	582,194	582,194	582,194	-	-
Guarantee deposits received	<u>2,427</u>	<u>2,427</u>	<u>2,427</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,085,373</u>	<u>3,096,926</u>	<u>2,677,199</u>	<u>419,727</u>	<u>-</u>

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

(iii) Market risk

1) Currency risk

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

	September 30, 2021			December 31, 2020			September 30, 2020			
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	12,335	27.85	343,536	10,416	28.48	296,648	14,862	29.10	432,484
CNY		2,429	4.305	10,458	2,647	4.377	11,586	6,629	4.27	28,299
JPY		20,677	0.25	5,148	95,362	0.28	26,349	91,318	0.28	25,167
EUR		164	32.32	5,293	152	35.02	5,323	311	34.15	10,621
IDR		677,657	0.002	1,342	760,275	0.002	1,543	-	-	-
GBP		51	37.46	1,904	-	-	-	90	37.30	3,357
<u>Nonmonetary items</u>										
USD		47,863	27.85	1,332,995	48,097	28.48	1,369,812	48,039	29.10	1,397,944
CNY		48,085	4.305	207,004	49,391	4.377	216,183	51,116	4.27	218,215
THB		327,272	0.87	284,727	299,410	0.96	287,434	294,947	0.92	272,590
EUR		60	32.32	1,954	72	35.02	2,534	75	34.15	2,572

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, EUR, IDR, and GBP as of September 30, 2021 and 2020 would have increased (decreased) the net profit after tax by \$2,941 thousand and \$3,999 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 nine months ended September 30, 2021 and 2020, the foreign exchange losses (including realized and unrealized portions) amounted to \$6,138 thousand and \$9,295 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 \$1,333 thousand and \$2,447 thousand for the nine months ended September 30, 2021 and 2020, respectively with all other variable factors remaining constant.

3) Other market price risk

For the nine months ended September 30, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

	For the nine months ended September 30,			
	2021		2020	
	Other Comprehensive income after tax	Net income	Other Comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 10%	\$ 26,968	-	34,613	-
Decreasing 10%	\$ (26,968)	-	(34,613)	-

(iv) Fair value of financial instruments

1) Fair value hierarchy

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:

	September 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic stock in listed company at Stock Exchange	\$ 176,680	176,680	-	-	176,680
Domestic stock in listed company at Taipei Exchange	43,724	43,724	-	-	43,724
International stock	49,271	-	-	49,271	49,271
subtotal	269,675	220,404	-	49,271	269,675

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	September 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,531,855	-	-	-	-
Notes receivable and accounts receivable (including related party)	977,327	-	-	-	-
Other receivables (including related party)	12,568	-	-	-	-
Other financial assets	471,037	-	-	-	-
Refundable deposits paid	<u>24,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
subtotal	<u>4,017,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,286,962</u>	<u>220,404</u>	<u>-</u>	<u>49,271</u>	<u>269,675</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,875,286	-	-	-	-
Notes payable and accounts payable (including related party)	277,565	-	-	-	-
Other payables (including related party)	440,573	-	-	-	-
Dividends payable	1,024,680	-	-	-	-
Guarantee deposit received	<u>2,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,620,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 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	\$ 176,970	176,970	-	-	176,970
Domestic stock in listed company at Taipei Exchange	62,216	62,216	-	-	62,216
International stock	<u>49,271</u>	<u>-</u>	<u>-</u>	<u>49,271</u>	<u>49,271</u>
subtotal	<u>288,457</u>	<u>239,186</u>	<u>-</u>	<u>49,271</u>	<u>288,457</u>

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	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,223,730	-	-	-	-
Notes receivable and accounts receivable (including related party)	1,033,268	-	-	-	-
Other receivables (including related party)	16,483	-	-	-	-
Other financial assets	439,700	-	-	-	-
Refundable deposits paid	22,019	-	-	-	-
subtotal	<u>3,735,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>4,023,657</u>	<u>239,186</u>	<u>-</u>	<u>49,271</u>	<u>288,457</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,143,664	-	-	-	-
Notes payable and accounts payable (including related party)	159,440	-	-	-	-
Other payables (including related party)	497,016	-	-	-	-
Guarantee deposit received	2,430	-	-	-	-
Total	\$ <u>2,802,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	September 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	\$ 177,090	177,090	-	-	177,090
Domestic stock in listed company at Taipei Exchange	66,717	66,717	-	-	66,717
Domestic stock in listed company at emerging stock market	53,048	53,048	-	-	53,048
International stock	49,271	-	-	49,271	49,271
subtotal	<u>346,126</u>	<u>296,855</u>	<u>-</u>	<u>49,271</u>	<u>346,126</u>

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	September 30, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,340,416	-	-	-	-
Notes receivable and accounts receivable (including related party)	843,912	-	-	-	-
Other receivables (including related party)	3,750	-	-	-	-
Other financial assets	418,823	-	-	-	-
Cash surrender value of life insurance	13,657	-	-	-	-
Refundable deposits paid	25,594	-	-	-	-
subtotal	<u>3,646,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,992,278</u>	<u>296,855</u>	<u>-</u>	<u>49,271</u>	<u>346,126</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 2,500,752	-	-	-	-
Notes payable and accounts payable (including related party)	151,262	-	-	-	-
Other payables (including related party)	430,932	-	-	-	-
Guarantee deposit received	2,427	-	-	-	-
Total	<u>\$ 3,085,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Fair value hierarchy

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

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

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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.

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

5) Transfer between levels

There was no change in valuation techniques for financial instruments measured at fair value for the nine months ended September 30, 2021 and 2020, so there was no transfer between levels.

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6) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2021	\$ 49,271
Balance at September 30, 2021	\$ 49,271
Balance at January 1, 2020	\$ 49,271
Balance at September 30, 2020	\$ 49,271

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income - equity investments without an active market	Discounted Cash Flow Method	<ul style="list-style-type: none"> ·Weighted average cost of capital (On September 30, 2021, December 31, 2020 and September 30, 2020 were 13.32%, 13.32% and 14.27%, respectively.) ·Discount for lack of market liquidity (On September 30, 2021, December 31, 2020 and September 30, 2020 were all 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:

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	<u>Input</u>	<u>Change</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
September 30, 2021				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	487	(487)
December 31, 2020				
Financial assets at fair value through other comprehensive income - equity investments without an active market	Discounted of liquidity	1%	487	(487)
September 30, 2020				
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.

(s) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(x) of the consolidated financial statements for the year ended December 31, 2020.

(t) 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, 2020. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2020 for further details.

(7) Related-party transactions:

(a) Names of related parties and relationship

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

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

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(b) Significant transactions with related parties

(i) Sales revenue

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Associates	\$ 25,401	6,389	63,870	46,278
Other related parties	78	121	365	348
	\$ 25,479	6,510	64,235	46,626

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) Other gains

The amount of other gains by the Group from related parties were as follows:

Recognized item	Category	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2021	2020	2021	2020
Other gains	Associates-American Taiwan Biopharm (Thailand)	\$ 2,905	3,095	9,025	9,447

Other gains of the Group to the associates were mainly paid in accordance with the management service contract between the two parties. The payment terms are three months, which were no different from the payment terms given by other vendors.

(c) Assets and liabilities with related parties

Recognized item	Category	September 30,	December 31,	September 30,
		2021	2020	2020
Accounts receivable	Associates	\$ 19,362	24,854	5,929
	Other related parties	38	-	41
		\$ 19,400	24,854	5,970
Other receivables	Associate-American Taiwan Biopharm (Thailand)	\$ 3,205	3,515	3,503
Other payables	Other related parties	\$ 38	87	6,640

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

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(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Salaries and other short-term employee benefits	\$ 27,275	17,743	71,155	63,993
Post-employment benefits	267	277	814	940
	<u>\$ 27,542</u>	<u>18,020</u>	<u>71,969</u>	<u>64,933</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged asset	Object	September 30, 2021	December 31, 2020	September 30, 2020
Other current and non-current asset-reserve account	Bank loan	\$ 21,133	21,131	21,129
Other financial assets-non-current	Guarantee for provision attachment	149,380	149,380	149,380
		<u>\$ 170,513</u>	<u>170,511</u>	<u>170,509</u>

(9) Significant commitments and contingencies:

(a) The Group's unfinished contracts as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Total price of unfinished contracts			
Purchase of equipment and construction engineering	\$ <u>7,371</u>	<u>162,960</u>	<u>203,070</u>
Acquisition of intangible assets	\$ <u>213,002</u>	<u>57,726</u>	<u>49,613</u>
Research and development service	\$ <u>357,994</u>	<u>343,838</u>	<u>352,648</u>
Unpaid amount			
Purchase of equipment and construction engineering	\$ <u>4,005</u>	<u>20,143</u>	<u>29,446</u>
Acquisition of intangible assets	\$ <u>155,417</u>	<u>36,910</u>	<u>34,518</u>
Research and development service	\$ <u>134,901</u>	<u>122,787</u>	<u>128,133</u>

(b) As of September 30, 2021, December 31, 2020, and September 30, 2020, the financial institutions provide guarantee for the import and sale of medicine amounted to \$110,163 thousand, \$71,211 thousand and \$70,267 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 "Risperidone". However, on May 27, 2020, the Taiwan High Court rejected the above request, and such case regarding the drug called "Risperidone" was rejected by Taiwan High Court and further investigated by TTDPO. Consequently, it also acquitted Mr. Lin on the case with regards to the aggravated breach of trust, wherein Taiwan High Prosecutors Office was dissatisfied with the verdict, hence, further appealed to the Taiwan Supreme Court. On September 29, 2020, TTDPO requested the Taiwan Supreme Court to review both cases of Mr. Lin's offense concerning the aggravated breach of trust under the Securities and Exchange Act, and the dispute on the contract entered into by the Company and Center Laboratories, Inc. regarding the drug called "Risperidone". On September 6, 2017, the relevant incidental civil action was later transferred to the civil court for further trial as a different case. As of June 29, 2018, the Company supplemented and raised the amount of its damage claim against Mr. Lin in the incidental civil action of the second appeal, which was also appealed to the Taiwan Supreme Court.
- (d) On May 31, 2016, the Company filed a claim with the Cantonal Court of Zug in Switzerland against Inopha AG (Inopha) for all 13 licensing agreements between the Company and Inopha being declared null and void, and further sought an order that Inopha returns all the benefits it had gained from the 13 agreements. The case is still in progress.
- (e) On May 30, 2016, Janssen Pharmaceutica NV (Janssen) filed a request for arbitration with the WIPO Arbitration and Mediation Center, at the Company's request, to confirm whether the monies incurred from the agreement in dispute belong to the Company or Inopha. The case was suspended. As of September 30, 2021, the monies incurred from the agreement in dispute in the amount of \$21,571 thousand euros have been deposited into the escrow account by Janssen.
- (f) With regard to the dispute on the Risperidone Contract entered into by and between the Company and Center Laboratories, Inc. (CLI), CLI filed an administrative action for declaration of such Contract, as a civil lawsuit, against the Company in the Taipei District Court on July 1, 2016. The Taipei District Court ruled in favor of CLI on March 1, 2018, and the appeal to the Taiwan High Court by the Company, had been dismissed on March 11, 2020. Therefore, the Company filed an appeal to the Supreme Court on April 10, 2020. On May 19, 2021, the original judgment was declared to be invalid by the Supreme Court, and the case is further remanded by the Supreme Court to the Taiwan High Court for an appeal by the Company.
- (g) On February 28, 2020, the Company filed a civil lawsuit to the Labor Court Dresden of Germany against Denis Optiz, the beneficiary owner of Inopha AG. This case has been accepted by the Labor Court Dresden of Germany and is currently under progress.

(Continued)

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

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By item	By function					
	For the three months ended September 30,					
	2021			2020		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 54,842	166,357	221,199	55,544	166,261	221,805
Health and labor insurance	4,673	11,469	16,142	4,960	11,045	16,005
Pension	2,448	6,444	8,892	2,586	6,909	9,495
Others	580	10,551	11,131	1,083	7,167	8,250
Depreciation expense	26,287	10,439	36,726	26,184	7,966	34,150
Amortization expense	63	5,467	5,530	108	4,958	5,066

By item	By function					
	For the nine months ended September 30,					
	2021			2020		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 164,697	507,051	671,748	173,525	512,534	686,059
Health and labor insurance	15,792	37,240	53,032	15,101	32,675	47,776
Pension	8,504	21,755	30,259	8,601	20,443	29,044
Others	1,918	28,952	30,870	4,453	29,077	33,530
Depreciation expense	77,166	30,442	107,608	79,234	23,747	102,981
Amortization expense	106	16,083	16,189	325	14,443	14,768

- (b) Seasonality of operations:

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

- (c) Others

The Group donated \$23,854 thousand and \$30,714 thousand to related medical foundations and associations to support non-profit organizations developing drugs and promoting disease prevention and correct dosage for the nine months ended September 30, 2021 and 2020, respectively.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2021:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance (Note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Worldco International Co., Ltd.	The Company	Receivables from related parties	Yes	69,625 USD 2,500	69,625 USD 2,500	-	0.9%	2	-	Operating capital	-	-	-	84,045 CNY 19,500	84,045 CNY 19,500

The exchange rate of USD to NTD as of the reporting date is 1:27.85.

The exchange rate of CNY to NTD as of the reporting date is 1:4.305.

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.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

Note 4): The highest balance of financing to other parties as of September 30, 2021.

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 September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollar)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
TSH Biopharm Co., Ltd.	Lumosa Therapeutics Co., Ltd. common stock	-	Financial assets measured at fair value through other comprehensive income– current	1,315	43,724	0.87 %	43,724	
"	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets measured at fair value through other comprehensive income–non-current	2,500	156,000	0.38 %	156,000	
"	Union Bank of Taiwan Preferred Shares A	-	"	400	20,680	0.20 %	20,680	
"	CellMax Ltd. Preferred Stock	-	"	1,593	49,271	1.95 %	49,271	

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None

(v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None

(vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital: None
- (viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital: None
- (ix) Information regarding trading in derivative financial instruments: None
- (x) Significant transactions and business relationship between the parent company and its subsidiaries:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Worldco International Co., Ltd.	1	Royalty revenue	28,052	By contract	0.91%
0	"	TSH Biopharm Co., Ltd.	1	Sales revenue	50,887	"	1.66%
0	"	"	1	Service revenue	1,796	"	0.06%
0	"	"	1	Other receivables	40,895	"	0.42%
0	"	"	1	Other income	3,334	"	0.11%
0	"	"	1	Selling expense	1,738	"	0.06%
0	"	"	1	Other gains and losses	3,621	"	0.12%
0	"	"	1	Accounts receivable	5,384	"	0.06%
0	"	American Taiwan Biopharma Phils Inc.	1	Other receivables	7,133	"	0.07%
0	"	Chuang Yi Biotech Co., Ltd.	1	Accounts receivable	38,095	"	0.39%
0	"	"	1	Other income	2,370	"	0.08%
0	"	"	1	Sales revenue	61,706	"	2.01%
0	"	"	1	Other gains and losses	13,351	"	0.44%
0	TSH Biopharm Co., Ltd.	"	3	Other gains and losses	2,897	"	0.09%

Note 1): The numbering is as follows:

1. "0" represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

(Continued)

TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2): The types of transaction between the parent company and subsidiaries are as follows:

1. Transactions from parent company to subsidiary.
2. Transactions from subsidiary to parent company.
3. Transactions between subsidiaries.

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

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Xudong Haipu International Co., Ltd.	Cayman Is.	Investing activities	303,998	303,998	25,000	100.00 %	1,270,198	(11,771)	(11,771)	Subsidiary
The Company	Worldco International Co., Ltd.	Hong Kong	Selling chemical medicine	158,254	158,254	39,600	100.00 %	204,383	(4,926)	(4,926)	Subsidiary
The Company	American Taiwan Biopharma Phils Inc.	Philippines	Selling chemical medicine	32,904	32,904	481	87.00 %	(1,376)	(661)	(575)	Subsidiary
The Company	TSH Biopharm Co., Ltd.	Taiwan	Selling chemical medicine	227,449	227,449	21,687	56.48 %	608,373	31,865	18,193	Subsidiary (Note)
The Company	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	50,000	50,000	5,000	20.83 %	26,629	(19,078)	(3,974)	Subsidiary
The Company	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	250,951	180,951	16,646	49.05 %	23,976	(19,287)	(9,460)	Subsidiary
The Company	PharmaEngine, Inc.	Taiwan	Developing chemical medicine	536,559	536,559	25,867	18.01 %	853,827	314,501	56,164	Investments accounted for using equity method
The Company	American Taiwan Biopharm (Thailand)	Thailand	Selling chemical medicine	2,966	2,966	380	40.00 %	284,727	76,554	30,621	Investments accounted for using equity method
The Company	Gligio International Limited (HK)	Hong Kong	Selling chemical medicine	2,685	2,685	620	40.00 %	62,797	34,902	13,961	Investments accounted for using equity method
Xudong Haipu International Co., Ltd.	EnhancX Biopharm Inc.	Taiwan	Developing chemical medicine	70,000	70,000	7,000	29.17 %	47,710	(19,078)	(5,565)	Subsidiary
Xudong Haipu International Co., Ltd.	TTY Biopharm Korea Co., Ltd.	Korea	Selling chemical medicine	43,834	43,834	318	100.00 %	14,820	(6,038)	(6,038)	Subsidiary

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Xudong Haiyu International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00 %	14,275	(5,466)	(2,733)	Subsidiary
Worldco International Co., Ltd.	TTY Biopharm Mexico S.A. de C.V.	Mexico	Selling chemical medicine	26,638	26,638	17,500	50.00 %	14,276	(5,466)	(2,733)	Subsidiary
EnhancX Biopharm Inc.	EnhancX Biopharm B.V.	Netherlands	Developing chemical medicine	3,538	3,538	100	100.00 %	1,954	(401)	(401)	Subsidiary
TSH Biopharm Co., Ltd.	Chuang Yi Biotech Co., Ltd.	Taiwan	Selling functional food	40,252	40,252	1,320	3.89 %	6,468	(19,287)	(750)	Subsidiary
Chuang Yi Biotech Co., Ltd.	Immortal Fame Global Ltd.	Samoa	Import and export trading and investment activities	16,820	16,820	568	100.00 %	2,690	(220)	(220)	Subsidiary

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollar)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	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	51,230	(2)	86,660	-	-	86,660	475	100 %	475	48,547	-
		CNY 11,900		CNY 20,130			CNY 20,130	CNY 110		CNY 110	CNY 11,277	
Chuang Yi (Shanghai) Trading Co., Ltd.	Selling functional food	13,925	(2)	13,925	-	-	13,925	(143)	100 %	(143)	2,621	-
		USD 500		USD 500			USD 500	CNY (33)		CNY (33)	CNY 609	

The exchange rate of USD to NTD as of the reporting date was 1:27.85, and the average exchange rate of USD to NTD for the reporting period was 1:28.0567.

The exchange rate of CNY to NTD as of the reporting date was 1:4.305, and the average exchange rate of CNY to NTD for the reporting period was 1:4.3372.

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TTY BIOPHARM COMPANY LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 100,585	NTD 1,315,300 (USD 47,228)	NTD 2,906,476

(iii) Significant transactions: None

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Dawan Technology Company Limited		23,496,732	9.44 %

(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 September 30, 2021	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	\$ 639,293	39,538	200,580	98,413	-	82,109	-	1,059,933
Intersegment revenues	36,032	9,614	26,667	437	-	-	(72,750)	-
Total revenue	<u>\$ 675,325</u>	<u>49,152</u>	<u>227,247</u>	<u>98,850</u>	<u>-</u>	<u>82,109</u>	<u>(72,750)</u>	<u>1,059,933</u>
Reportable segment profit or loss	<u>\$ 208,897</u>	<u>13,652</u>	<u>89,704</u>	<u>12,253</u>	<u>(1,173)</u>	<u>(14,095)</u>	<u>4,920</u>	<u>314,158</u>
For the three months ended September 30, 2020								
Revenue:								
Revenue from external customers	\$ 608,611	64,413	221,599	99,832	-	29,984	-	1,024,439
Intersegment revenues	69,820	-	-	420	-	-	(70,240)	-
Total revenue	<u>\$ 678,431</u>	<u>64,413</u>	<u>221,599</u>	<u>100,252</u>	<u>-</u>	<u>29,984</u>	<u>(70,240)</u>	<u>1,024,439</u>
Reportable segment profit or loss	<u>\$ 176,414</u>	<u>18,972</u>	<u>76,227</u>	<u>22,479</u>	<u>(7,211)</u>	<u>53,718</u>	<u>(23,823)</u>	<u>316,776</u>

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

For the nine months ended September 30, 2021	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	\$ 1,870,161	118,048	609,325	304,153	-	165,476	-	3,067,163
Intersegment revenues	<u>81,116</u>	<u>35,039</u>	<u>26,667</u>	<u>1,738</u>	-	-	<u>(144,560)</u>	<u>-</u>
Total revenue	<u>\$ 1,951,277</u>	<u>153,087</u>	<u>635,992</u>	<u>305,891</u>	<u>-</u>	<u>165,476</u>	<u>(144,560)</u>	<u>3,067,163</u>
Reportable segment profit or loss	<u>\$ 375,749</u>	<u>40,022</u>	<u>237,959</u>	<u>44,720</u>	<u>(5,022)</u>	<u>(53,520)</u>	<u>21,908</u>	<u>661,816</u>
For the nine months ended September 30, 2020								
Revenue:								
Revenue from external customers	\$ 1,837,696	150,292	622,718	321,481	-	86,818	-	3,019,005
Intersegment revenues	<u>166,341</u>	<u>-</u>	<u>-</u>	<u>1,510</u>	-	-	<u>(167,851)</u>	<u>-</u>
Total revenue	<u>\$ 2,004,037</u>	<u>150,292</u>	<u>622,718</u>	<u>322,991</u>	<u>-</u>	<u>86,818</u>	<u>(167,851)</u>	<u>3,019,005</u>
Reportable segment profit or loss	<u>\$ 558,774</u>	<u>39,212</u>	<u>216,266</u>	<u>61,840</u>	<u>(2,876)</u>	<u>36,713</u>	<u>(39,250)</u>	<u>870,679</u>
Reportable segment assets								
Balance on September 30, 2021	<u>\$ 8,182,684</u>	<u>86,723</u>	<u>629,366</u>	<u>1,246,542</u>	<u>205,308</u>	<u>1,762,156</u>	<u>(2,378,163)</u>	<u>9,734,616</u>
Balance on December 31, 2020	<u>\$ 7,956,767</u>	<u>89,717</u>	<u>472,931</u>	<u>1,220,139</u>	<u>214,178</u>	<u>1,883,533</u>	<u>(2,476,456)</u>	<u>9,360,809</u>
Balance on September 30, 2020	<u>\$ 7,838,636</u>	<u>93,713</u>	<u>547,815</u>	<u>1,208,319</u>	<u>216,317</u>	<u>1,918,721</u>	<u>(2,512,712)</u>	<u>9,310,809</u>