



Great Tree Pharmacy Co., Ltd.

2022

Annual Report

The Annual Report can be viewed on the Market Observation Post System (MOPS) at <http://newmops.twse.com.tw/>

Required website for information announcement from the Securities & Futures Institute: same as above

**Website for information related to the Annual Report:
same as above**

Printed on March 31, 2023

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II. Address and telephone of the Company and plant:

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Taichung Fuxing Branch Office	3F., No. 359, Sec. 1, Fuxing Rd., South Dist., Taichung City	(04)2265-6022
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III. Stock transfer handling agency:

Name : Department of Agency Services, Taishin Securities Co., Ltd.

Address: B1, No. 96, Section 1, Jianguo North Road, Taipei City.

Telephone: (02)2504-8125

Website: www.tssco.com.tw

IV. Certified public accountants (CPAs) who audited the financial reports of the most recent year:

Name: Hsiao-Chin Lo, Mao-Yi Hong

Name of accounting firm: Ernst & Young (EY)

Address: 9F, No. 333, Section 1, Keelung Road, Taipei City.

Website: www.ey.com.tw

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V. Name of securities market for trading of overseas marketable securities and ways to inquire about information on said overseas marketable securities: None.

VI. Company website: www.greentree.com.tw

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Chapter 1 Letter to Shareholders

Dear Esteemed Shareholders,

First of all, thank you all for taking time off from your busy schedule to attend our Annual Shareholders' Meeting. On behalf of the Company, I extend a warm welcome to you and thank you for your kind support and encouragement. The Company's 2022 operational performance and future outlook are summarized as below:

I. 2022 Business Report

(I) Achievements from the implementation of the 2022 Business Plan

CommonWealth Magazine conducts 2,000 surveys on various industries in Taiwan every year, recording the growth of enterprises in Taiwan. According to its survey results released in 2022, the Company ranked 154th in the overall service industry in 2021, 24 levels higher than in 2020, ranking first in the pharmaceutical and healthcare service industry. Thanks to the Company's team and all colleagues, they focused on carefully selecting better products and building better services for consumers every day, and accordingly, the consolidated operating income in 2022 and the consolidated net profit after tax reached NT\$14.6 billion and NT\$700 million, respectively, increased by 29.11% and 71.79% in 2021, all hitting a record high.

Despite the challenges arising from the epidemic, the Company actively expanded its sales in 61 stores in 2022, breaking through 299 stores in that year, ranking first in the number of pharmacy chain stores in Taiwan.

In addition, given the accompanying demand derived from the declining birthrate and the aging population, according to the relevant statistics from the Ministry of the Interior, the number of dogs and cats registered in 2022 exceeded 2.95 million children under the age of 15. With the increasingly higher demand for woolly children's food and feed, the Company has also entered the field of pet health care. Therefore, the Company specialized in the first cross-border pet retailing channels in 2021 and had set up five stores by the end of 2022. With the continuous growth of pet stores, the Company has expanded its operations simultaneously. In addition to continuously expanding channels, the shopping space continues to innovate and evolve to provide consumers with a more convenient and novel experience. At the same time, we are striving for higher service standards and satisfaction. We hope that, through feedback and the optimization of services, all consumers and colleagues can have a strong sense of mission.

(II) Budget implementation status: The Company has not disclosed its financial forecast for 2022, so there is no need to disclose any budget execution.

(III) Financial Revenue/Expense and Profitability Analysis

Unit: in NT\$1,000

Item	2022	2021
Cash flow from operating activities	1,226,695	1,077,660
Cash flow from investing activities	(465,579)	(268,427)
Cash flow from financing activities	389,097	(336,566)
Return on assets (%)	8.42	6.51
Return on equity (%)	30.61	23.49
Ratio of net profit before tax to paid-in capital	98.19	72.08
Net profit margin	4.81	3.61
Earnings per share (NT\$)	7.85	4.64

Note: The financial information entered above is consolidated information based on the adoption of IFRS.

(IV) Research and development (R&D) status: The Company, belonging to the chain pharmacy industry, does not have a dedicated research and development department, but based on the service of the vast consumer demand, the commodity marketing department is still actively involved in product development-related services.

II. Outline of 2023 Business Plan

The Company's latest five-year plan (from 2021 to 2025), with the following main business directions as planned specifically:

(I) Management policy and important production and marketing policies

- 1) By continuously optimizing the successful exhibition store model, the Company shall open 300 to 200 stores of different sizes, depending upon the scales and types of communities in business districts.
- 2) Three-cross plans: Among them, the cross-brand plan is to introduce commodities from Sugi Pharmacy and other exclusive agents overseas and to achieve the differentiation of the Company's channels through the diversification of commodities, the cross-industry plan is to invest in retail services of the healthcare industry other than pharmacy, as well as pet food, pet cosmetics and medical care of the booming pet industry in 2021, and the cross-overseas to carry out the overseas development plan with Sugi Pharmacy in stages, shall joint both sides of the pharmaceutical cosmetic pathway and category compound experience and to provide the partner's cosmeceuticals overseas by leveraging market transformation opportunities.

(II) Expected Sales Volume and Basis

The Company is a channel of chain pharmacy. Due to large variety of products sold and in different quantity units, it is not possible to provide the expected sales quantity. In addition, according to the relevant statistics of "wholesale, retail and catering turnover" from the Ministry of Economy (from NT\$ 163.2 billion in 2012 to NT\$ 214.6 billion in 2022), the annual compound growth rate is 2.78% and generally speaking, the domestic pharmaceutical and cosmetic retail market has maintained a moderate and optimistic growth trend. The Company is actively opening up new stores and expanding its business scale and expects to maintain stable revenue growth.

III. Sustainability

In the development process, the Company has always adhered to the spirit of "the most trustworthy pharmacy" and expects to benefit its employees, suppliers and shareholders, and the whole society and fulfill its corporate social responsibilities. During the period affected by the epidemic, in addition to insisting on providing the most complete pharmaceutical products for the public, the Company also provided a large number of epidemic prevention supplies to vulnerable groups to help them through this difficult time.

Before thinking about how to expand channels and provide consumers with warm and dedicated services, taking care of the staff is still a priority. In addition to providing supplies and actively caring for employee needs, the Company initiated employee protection measures against the pandemic. Taking care of employees and strengthening their recognition of the Company is a prerequisite for the Company to maintain its competitiveness during the epidemic.

The Company has long been concerned about socially disadvantaged groups. Especially in 2022, it participated in the Cathay Bank Foundation's Big Trees Project, calling attention to the equal education rights of school kids and promoting the development of grass-roots education. Regarding environmental protection, the Company actively cooperates with suppliers engaged in energy conservation and carbon reduction and intends to list the supplier's carbon footprint and carbon reduction performance as major indicators while procuring products and/or services.

IV. Future Company development strategies

The Company shall follow an active and sound growth strategy by recruiting professional talent on one hand, and actively develop new products and new markets on the other, enabling it to become the best in the industry.

Since its establishment, the Company has deeply rooted in the pharmaceutical industry of Taiwan and has met the shareholders' expectations to become the largest pharmacy in Taiwan. Next, it shall

reach other fields and even other countries. In new areas, in addition to finding the most helpful strategic partners for business, the Company shall also strictly control risks and expect to create higher value for shareholders.

The Company shall continue to innovate in the next five years through all-member brainstorming, to change the past pharmacy consumption behavior, and to let everyone see that Great Tree Pharmacy shall not only be a pharmacy.

V. Impacts from external competitive environment, legal environment, and overall operating environment

The Company shall continue providing education and training for its employees, thereby establishing its professional brand value. It shall adhere to the principles of “professionalism and integrity” and provide consumers with a full range of services. Through the innovative senior management core team, it shall improve the threshold of services and quickly replicate successful experiences to expand its business map and widen its differences with competitors.

While pursuing corporate growth, in addition to maximizing the interests of shareholders, the Company also puts much emphasis on the implementation of environmental, social, and corporate governance (ESG) values in daily operations, and actively follows various indicators guided by the competent authorities, so as to meet the expectations of all stakeholders.

The transparent corporate governance accepts the shareholders' inspection. The shareholders' equity is the foremost, and making profits is still the Company's main objective. All colleagues shall uphold a high sense of responsibility, unity, and cooperation, form a competitive edge for the Company with better business performance, and create value for shareholders.

Chairman: Cheng Ming Lung

Manager: Cheng Ming Lung

Accounting Manager: Wu Shu Yi

Chapter 2 Company Profile

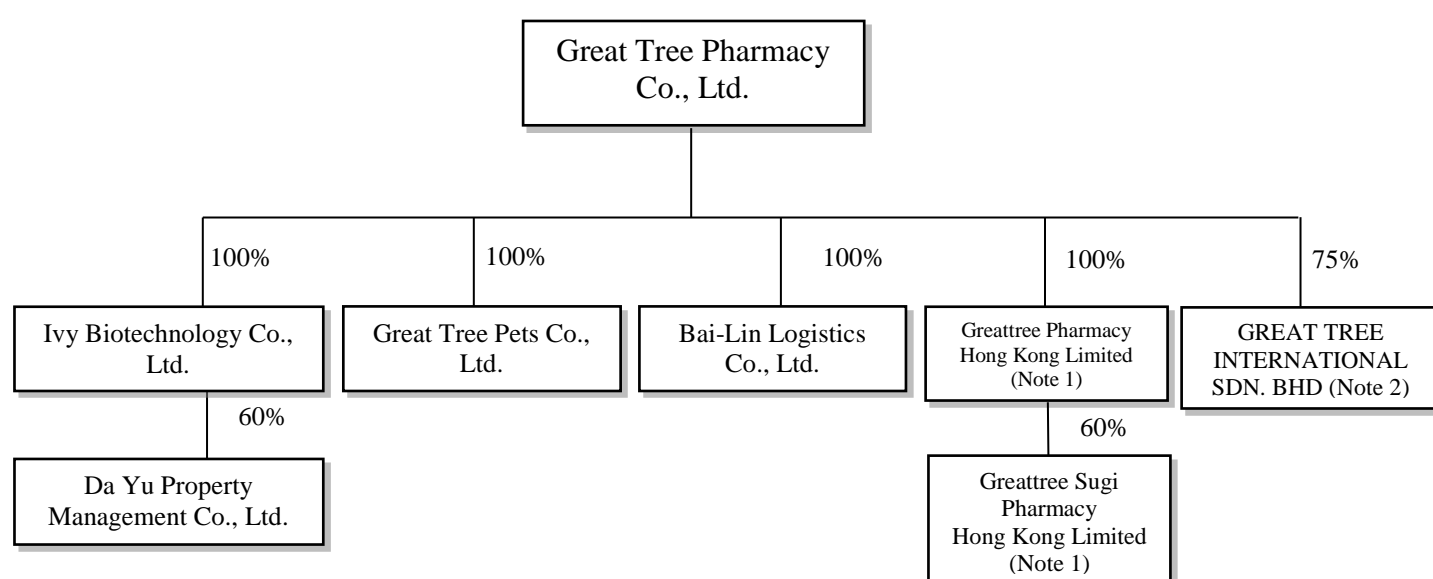
I. Company and group profile

Great Tree Pharmacy Co., Ltd. (hereinafter referred to as "the Company") was authorized to be established on May 15, 2001. Our main businesses include management and trade of various drugs, health supplements, maternity and infant products, and cosmetics products. We also provide coordinated medicine procurement services to various clinics, outpatient centers, and medical communities. Besides, we are also an agency for domestic and foreign health care products sold in clinics, outpatient centers, and medical communities.

(I) Date of Incorporation May 15, 2001

(II) Structure of the Group

1. Organizational structure of relational enterprise chart (as of March 31, 2023)



2. Relations, percentage of shareholding, number of shares, and actual investments among the affiliates

March 31, 2023; Unit: in NT\$1,000's; Shares

Name of affiliate	Relationship with the Company	Main business	Directly or indirectly held by the Company			Affiliate that holds shares in the Company		
			Ratio (%)	Shareholding	Amount	Ratio (%)	Shareholding	Amount
Ivy Biotechnology Co., Ltd.	Subsidiary accounted for using equity method	Wholesale and retail business	100.00	5,900,000	59,000	—	—	—
Bai-Lin Logistics Co., Ltd.	Subsidiary accounted for using equity method	Wholesale and retail business	100.00	200,000	2,000	—	—	—
Great Tree Pets Co., Ltd.	Subsidiary accounted for using equity method	Wholesale and retail business	100.00	9,000,000	90,000	—	—	—
GREAT TREE INTERNATIONAL SDN. BHD.(Note 2)	Subsidiary accounted for using equity method	Wholesale and retail business	75.00	1,500,000	10,256	—	—	—

Name of affiliate	Relationship with the Company	Main business	Directly or indirectly held by the Company			Affiliate that holds shares in the Company		
			Ratio (%)	Shareholding	Amount	Ratio (%)	Shareholding	Amount
Great Tree Pharmacy Hong Kong Limited (Note 1)	Subsidiary accounted for using equity method	Investment business	100.00	-	-	-	-	-
Great Tree Sugi Pharmacy Hong Kong Limited (Note 1)	Subsidiary of subsidiary (second-tier subsidiary) accounted for using equity method	Investment business	60.00	-	-	-	-	-
Da Yu Property Management Co., Ltd.	Subsidiary of subsidiary (second-tier subsidiary) accounted for using equity method	Real estate sales and lease	60.00	3,600,000	36,000	-	-	-

Note 1: On November 11, 2021, the company was resolved by the Board of Directors to expand its business in mainland China:

- (1) Greentree Pharmacy Hong Kong Limited, a wholly-owned subsidiary of Great Tree Pharmacy Co., Ltd., was established by direct investment of the Company and registered on April 8, 2022. As of March 31, 2023, the amount of investment has not yet been remitted.
- (2) Greentree Sugi Pharmacy Hong Kong Limited was established by Great Tree Pharmacy Hong Kong Limited, with a shareholding ratio of 60%. The registration was completed on October 26, 2022, and the investment amount has not been remitted as of March 31, 2023.

Note 2: On May 12, 2022, the Board of Directors resolved to invest NT\$10,256 thousand in GREAT TREE INTERNATIONAL SDN.BHD. for the purpose of developing overseas business.

II. Company History

Year	Milestones
2001	☘ Tian-Chin Pharmaceuticals Co. Ltd. was established with the paid-in capital of NT\$3 million. The Chairman was Mr. Liu Yu Teng, and the Company used "Great Tree Pharmacy" as the brand of its drugstore retail channels.
2002	☘ ERP web online system was successfully introduced, allowing all information management throughout the Company to be more humanistic, effective, stable, secure, and instantaneous.
2005	☘ Established presence in "E-Mall," the first integrated institution of medical community with shops throughout Taiwan and becoming a hybrid community drugstore that blends health care, professionalism, with business opportunities.
2007	☘ Assisted Tajen University to establish an drugstore for internship on its campus. ☘ Reached more than 10 franchised drugstores in the Taoyuan area.

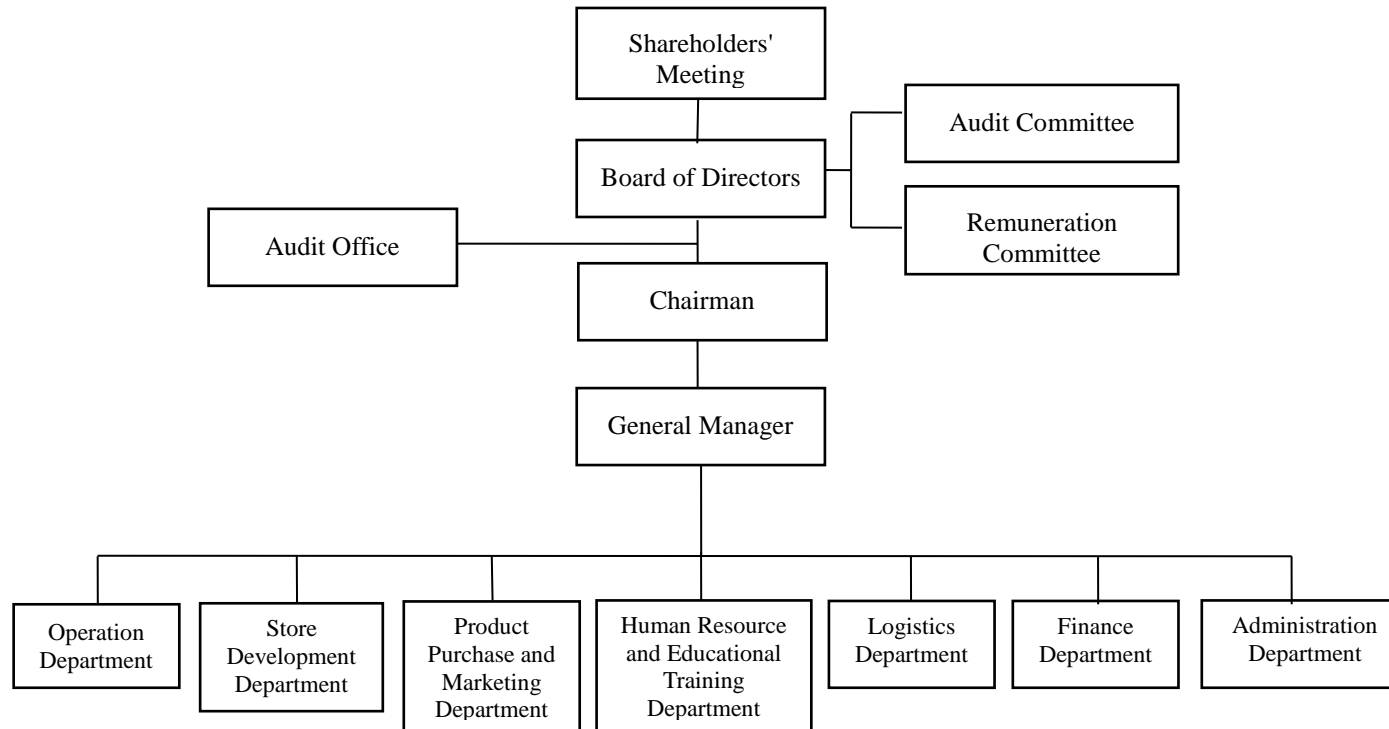
Year	Milestones
2009	<ul style="list-style-type: none"> ☘ Managed the health operation department of Carrefour, the largest retailer in Taiwan, and opened drugstores under the joint trademark of Great Tree Pharmacy and Carrefour, pushing the Great Tree experience nationwide.
2010	<ul style="list-style-type: none"> ☘ Introduced corporate identity system (CIS) to all stores and updated shelf displays.
2011	<ul style="list-style-type: none"> ☘ Opened the first franchised drugstore in New Taipei City - Tucheng Yumin Store.
2012	<ul style="list-style-type: none"> ☘ Reached more than 20 franchised drugstores nationwide. ☘ Established the "Nanping Medical Community", providing the community with "primary care deductibles", and hospital grade "multiple division convenient healthcare."
2013	<ul style="list-style-type: none"> ☘ Reached more than 25 franchised drugstores nationwide. ☘ Opened the first franchised drugstore in Hsinchu City - Hsinchu Xida Store. ☘ Opened the first franchised drugstore in Taipei City - Taipei Longjiang Store
2014	<ul style="list-style-type: none"> ☘ Reached more than 35 franchised drugstores nationwide. ☘ Opened franchised drugstores in Kaohsiung City - Fengshan Youth Store and Qianzhen Ruilong Store. ☘ Opened franchised drugstores in Taichung City - Dali Chunghsin Store, Hangkou Store, and Meicun Store. ☘ Stationed into the "Taoyuan International Airport Terminal 1 Shopping Mall," protecting the health of the travelers at the nation's door with professional and warm services. ☘ Changed the company name to Great Tree Pharmacy Co., Ltd. ☘ Registered on December 29, 2014.
2015	<ul style="list-style-type: none"> ☘ Reached more than 45 drugstores including franchised and the airport direct-sale store. ☘ Cooperated with FamilyMart to establish compound drugstore.
2016	<ul style="list-style-type: none"> ☘ Reached more than 68 drugstores including franchised and the airport direct-sale store. ☘ Officially listed in the stock market on March 30, 2016.
2017	<ul style="list-style-type: none"> ☘ Reached more than 86 drugstores including franchised and the airport direct-sale store. (76 franchised and direct-sale drugstores, 9 FamilyMart x Great Tree compound drugstores, 1 drugstore in Carrefour)

Year	Milestones
	<ul style="list-style-type: none"> 🌿 Restarted the cooperation with Carrefour, the largest retailer in Taiwan, and established the healthcare zone.
2018	<ul style="list-style-type: none"> 🌿 Reached more than 111 drugstores including franchised and the airport direct-sale store. (106 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 1 drugstore in Carrefour)
2019	<ul style="list-style-type: none"> 🌿 Reached more than 147 drugstores including franchised and the airport direct-sale store. (141 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 2 drugstores in Carrefour) 🌿 At the beginning of 2019, we integrated the chain system of Pro Healthcare with 50 franchises
2020	<ul style="list-style-type: none"> 🌿 Reached more than 193 drugstores including franchised and the airport direct-sale store. (177 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 12 drugstore in Carrefour) 🌿 At the beginning of 2019, we integrated the chain system of Pro Healthcare with about 51 franchises at present 🌿 Sign a business alliance contract with Sugi pharmaceutical Bureau of Japan. The two sides will jointly develop in Asia in combination with business strategy, commodity introduction, talent exchange, and joint marketing.
2021	<ul style="list-style-type: none"> 🌿 It exceeded 243 for the number of directly operated stores of the franchised pharmaceutical Bureau including the airport. (A total of 223 franchised and directly operated pharmacies, a total of 4 Family Mart x Great Tree pharmacies, a total of 12 Carrefour stores, and 4 RT-Mart store) 🌿 The chain system of Prohealthcare Franchise was integrated in early 2019, and now about 64 stores have joined and cooperated 🌿 Invest in the establishment of Great Tree Pets Co., Ltd., which has carried out two stores in Taoyuan this year. 🌿 Won the outstanding operation person Award for using electronic invoices in 2021 approved by the MOF Taipei IRS
2022	<ul style="list-style-type: none"> 🌿 It exceeded 299 for the number of directly operated stores of the franchised pharmaceutical Bureau including the airport. (A total of 275 franchised and directly operated pharmacies, a total of 4 Family Mart x Great Tree pharmacies, a total of 12 Carrefour stores, and 8 RT-Mart store) 🌿 The chain system of Prohealthcare Franchise was integrated, and

Year	Milestones
	<p>now about 61 stores have joined and cooperated</p> <ul style="list-style-type: none"> 🌿 As Great Tree has stepped into the pet operation, there are now 5 stores in Taiwan and continue to set up new stores. 🌿 In order to develop overseas business, the GREAT TREE INTERNATIONAL SDN.BHD. was established in Malaysia.
March 2023	<ul style="list-style-type: none"> 🌿 Reached more than 312 drugstores including franchised and the airport direct-sale store. (A total of 288 franchised and directly operated pharmacies, a total of 4 Family pharmacies x Great Tree pharmacies, a total of 12 Carrefour stores, and 8 A-MART and RT-MART stores) 🌿 The chain system of Prohealthcare Franchise was integrated, and now about 61 stores have joined and cooperated 🌿 As Great Tree has stepped into the pet operation, there are now 6 stores in Taiwan and continue to set up new stores 🌿 As the needs of operation management and operation development, the operation address of the company was changed to floor 18, No. 186, Fuxing Road, Taoyuan District, Taoyuan City.

Chapter 3 Corporate Governance Report

- I. Organizational system
 - (I) Organization structure



(II) Operation of main departments

Department	Responsibilities and functions
Audit Office	<ul style="list-style-type: none">✓ Establishment, amendments, and reviews of the internal audit system✓ Discussion, approval, and amendments of the internal control system✓ Discussion, plan, and review of systems within subsidiaries
Operation Department	<ul style="list-style-type: none">✓ Establish strategies and operational management over store developments
Store Development Department	<ul style="list-style-type: none">✓ Develop new stores✓ Coordinate the measurement inspections and designs of various engineering projects✓ Supervise the construction quality and quality management of various engineering projects✓ Maintenance and management of engineering equipment✓ Revisions, establishments, promotions and implementation, and follow-up of various environmental and occupational safety and health regulations✓ Coordinate the implementation of health and safety inspections at all stores and head office
Product Purchase and Marketing Department	<ul style="list-style-type: none">✓ Development of product purchase and planning and carrying out of brand strategies
Human Resource and Educational Training Department	<ul style="list-style-type: none">✓ Planning and carrying out human resources tasks✓ Personnel administration works✓ Personnel educational training
Logistics Department	<ul style="list-style-type: none">✓ Coordinate various tasks and operations related to logistics and warehousing
Finance Department	<ul style="list-style-type: none">✓ In charge of matters related to corporate finance✓ Responsible of coordinating the Company's accounting tasks
Administration Department	<ul style="list-style-type: none">✓ Information system management✓ Administration works✓ Management and maintenance over fixed assets and other assets

II. Information on directors, supervisors, general managers, deputy general managers, associate managers, heads of departments and branches

(I) Information on directors and supervisors

April 2, 2023 (date of cessation of transfer); Unit: shares

Title	Nationality or place of registration	Name	Gender/Age	Date of appointment	Term	Date first elected	Shares held when elected		Current shareholding		Shares held by spouse and minor children		Shares held in others' names		Work and (Education) experiences	Titles currently held at the Company and other companies	Other Supervisor or Director roles held by spouse or second-degree relations			Remark
							Shareholding	Shareholding ratio	Shareholding	Shareholding ratio	Shareholding	Shareholding ratio	Shareholding	Shareholding ratio			Title	Name	Relations	
Chairman	Republic of China	Zhen Han Investment Co., Ltd.	-	2020.06.17	3 years	2014.05.30	5,154,458	11.82	9,885,264	10.99	-	-	-	-	-	-	-	-	-	Note
	Republic of China	Representative: Cheng Ming Lung	Male/51-60 years old	2020.06.17	3 years	2014.05.30	1,153,435	2.65	2,314,867	2.57	-	-	6,897,715 (Note 2)	7.67	Bachelor's Degree, Shih Chien University Manager of Sinyi Realty Inc. General Manager of Great Tree Pharmacy Co., Ltd.	General Manager of Great Tree Pharmacy Co., Ltd. Director of Treetop Molecular Biotechnology Co., Ltd. Chairman of Da Yu Property Management Co., Ltd. Director and General Manager of Zhen Han Investment Co., Ltd. Chairman of Hao Cheng Investment Co., Ltd.	-	-	-	Note
Director	Republic of China	Top Taiwan XI Venture Capital Co., Ltd.	-	2020.06.17	3 years	2020.06.17	283,347	0.65	433,403	0.48	-	-	-	-	-	Director of Steminent Biotherapeutics Inc. Director of TaiHao Medical Inc. Director of BRIM Biotechnology, Inc.	-	-	-	-
	Republic of China	Representative: Shen Li Ping	Male/41-50 years old	2020.06.17	3 years	2020.06.17	47,918	0.11	91,896	0.10	-	-	-	-	Master of Business Administration, National Chung Cheng University Bachelor's Degree, Department of Finance, National Central University Auditor of KPMG Taiwan Professional Assistant Manager of Mega Securities Co., Ltd. Business Manager of Taishin Securities Co., Ltd.	Representative of Corporate Director, Great Tree Pharmacy Co., Ltd. Representative of Corporate Director, Olis Innovation Co., Ltd. Manager of Top Taiwan Venture Capital Co., Ltd.	-	-	-	-

Director	Republic of China	Chen Hung Yi	Male/61-70 years old	2020.06.17	3 years	2020.06.17	-	-	-	-	-	-	-	-	Ph.D.in Chemistry, College of Pharmacy, China Medical University Associate Professor, College of Pharmacy, China Medical University	-	-	-	-
Director	Republic of China	Lu Shan Feng	Male/41-50 years old	2021.07.02	Two years	2021.07.02 (Note 1)	455,853	0.84	914,640	1.02	95,542	0.11	-	-	Bachelor's degree from Department of Pharmacy, Chia Nan University of Pharmacy & Science Professional and technical personnel pass the higher examination pharmacist	Chairman of Great Tree Pet Co., Ltd.	-	-	-
Independent Director	Republic of China	Liu Tian Dao	Male/51-60 years old	2020.06.17	3 years	September 26, 2014	-	-	-	-	-	-	-	-	Bachelor's Degree, Business Administration, National Taiwan University Certified Public Accountant, Zhi-Dao Accounting Firm	-	-	-	
Independent Director	Republic of China	Guo Dai Huang	Male/61-70 years old	2020.06.17	3 years	June 17, 2020	30,622	0.07	58,725	0.07	-	-	-	-	PhD, College of Pharmacy, China Medical University Professor of the Department of Pharmacy and Institute of Pharmacy and President of Tajen University	-	-	-	
Independent Director	Republic of China	Wang Hsing Wen	Female/41-50 years old	2017.06.23	3 years	June 17, 2020	-	-	-	-	-	-	-	-	Graduate Institute of Industrial Economics of NCU School of Law, Soochow University Chief Lawyer of Hsing-Wen Wang Law Firm	-	-	-	

Note: The chairman of the board of directors and the general manager of the company are the same person, should explain reasons, reasonableness, necessity and countermeasures: based on the characteristics of the industry, the chairman of the board of directors and the general manager are the same person who is conducive to the development and efficiency of the company, and more than half of the directors are not simultaneously employees or managers.

Note 1: Mr. Lu Shan Feng was elected as the new director of the company at the regular meeting of shareholders on July 2, 2021.

Note 2: The holder of the shares is Hao Cheng Investment Co., Ltd., and its representative is the same person as Mr. Cheng Ming Lung.

(II) Substantial shareholders of the corporate shareholders

March 31, 2023

Name of corporate shareholder	Substantial shareholders of the corporate shareholders	Shareholding ratio %
Jun Wei Investment Co., Ltd.	Yu-Teng Liu	83.58%
	Liu Chun Hao	8.21%
	Liu Wei Cheng	8.21%
Zhen Han Investment Co., Ltd.	Cheng Ming Lung	77.67%
	Cheng Yung Chen	11.16%
	Chan Yung Han	11.16%
Top Taiwan XI Venture Capital Co., Ltd.	Farglory Life Insurance Inc.	12.38%
	Taiwan Life Insurance Co., Ltd.	11.25%
	TransGlobe Life Insurance Inc.	11.25%
	Chicony Electronics Co., Ltd.	9.38%
	Chicony Power Technology Co., Ltd.	9.38%
	Taiwan Fire & Marine Insurance Co., Ltd.	7.50%
	SINBON Electronics Co., Ltd.	7.50%
	ShareHope Medicine Co., Ltd.	7.50%
	Elan Microelectronics Corp.	6.25%
Ampire Co., Ltd.	6.25%	

(III) When the major shareholder of a corporate shareholder is a corporate shareholder, the major shareholder:

April 19, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Farglory Life Insurance Co., Ltd.	Shin Yu Investment Ltd.	19.00%
	Fareast Land Development Co., Ltd.	12.48%
	Global View Co., Ltd.	8.91%
	Teng-Hsiung Chao	8.49%
	Harvard International Investment Co., Ltd.	6.71%
	RuiChi International Investment Co., Ltd.	6.43%
	Far Glory International Investment Co., Ltd.	6.43%
	Chun-Yao Yeh	5.96%
	Chao Yu Niu	5.77%
	Tungyuan Construction Co., Ltd.	5.63%

April 19, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.	100%

March 31, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
TransGlobe Life Insurance Inc.	Chung Wei First Co., Ltd.	100%

April 12, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Chicony Electronics Co., Ltd.	Kun-Tai Syu	7.53%
	Yuanta/P-shares Taiwan Dividend Plus ETF	4.57%
	Unikey Electronics Co., Ltd.	2.82%
	Rob Global Fund of Swift Bank under the custody of the branch of Standard Chartered Bank (Taiwan)	2.66%
	Custodial investment account of Singapore government at Citibank Taiwan Limited	2.52%
	Chunghwa Post Co., Ltd.	2.37%
	Epoque Corporation	2.34%
	Hipro Electronics (Taiwan) Co., Ltd.	2.15%
	Tong Ling Machinery Co., Ltd.	1.49%
	Chin Yuan Iron Works & Co., Ltd.	1.45%

April 10, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Chicony Power Technology Co., Ltd.	Chicony Electronics Co., Ltd.	52.28%
	Tzu-Ching Li	6.16%
	Rob Global Fund of Swift Bank under the custody of the branch of Standard Chartered Bank (Taiwan)	2.71%
	PineBridge Global Funds under the custody of the branch of Standard Chartered Bank (Taiwan) Ltd.	2.08%
	Yan-Li Lin	2.00%
	I-Ching Lin	1.99%
	Special account for entrusted trust property of Taishin International Bank - Mao-Kuei Lin	1.26%
	Special account for entrusted trust property of Taishin International Bank - Mao-Kuei Lin	1.26%
	Di Chia Investment Co., Ltd.	1.04%
	Kuo-Hua Tseng	1.01%

April 12, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Taiwan Fire & Marine Insurance Co., Ltd.	Bank of Taiwan	17.84%
	Ling Hang Investments and Development Co., Ltd.	6.95%
	Yong-Hsin Development Co., Ltd.	6.67%
	Chiao-Nong Investment Co., Ltd.	3.04%
	Taichung Commercial Bank Co., Ltd.	2.94%
	Ling Hang Construction Co., Ltd.	2.93%
	Land Bank of Taiwan	2.83%
	Chia-Te Investment Co., Ltd.	2.20%
	Tai-Hung Lee	2.07%
	Tung Sheng Development Co., Ltd.	1.91%

April 1, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
SINBON Electronics Co., Ltd.	Fubon Life Insurance Co., Ltd.	5.80%
	PineBridge Global Funds under the custody of the operation department of Standard Chartered Bank (Taiwan) Ltd. - Special account for small business investment in Asia except Japan of PineBridge at Deutsche Bank	3.85%
	Joseph Wang	3.22%
	Aberdeen Standard OEIC II-ASI Global Small Company Fund Investment Account under the custody of Citi Commercial Bank Taiwan Co., Ltd.	2.93%
	Swedbank Robur global funds investment account under the custody of Standard Chartered Bank (Taiwan) Ltd.	2.15%
	Swedbank Robur Technology investment account under the custody of Standard Chartered Bank (Taiwan) Ltd.	2.15%
	TaiE Investment Co., Ltd.	1.77%
	Argosy Research Inc.	1.63%
	Small-sum global fund investment account under the custody of the branch of Standard Chartered Bank (Taiwan) Ltd.	1.57%
	Nan Shan Life Insurance Co., Ltd.	1.57%

May 1, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
ShareHope Medicine Co., Ltd.	Missioncare Co.	29.01%
	Tsai-Bi Yang Chen	1.12%
	Ching-Jung Su	1.01%
	Hung-Jen Yang	0.72%
	Yang Jheng Investment Co., Ltd.	0.62%
	Chung-Yen Li	0.62%
	Top Taiwan BioTech Venture Capital Co., Ltd.	0.61%
	Xu Rong Yuan	0.60%
	Huang Lian Xin	0.58%
	Chin-Mu Chen	0.58%

April 17, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Elan Microelectronics Corporation	Elan Investment Co., Ltd.	4.09%
	Nan Shan Life Insurance Co., Ltd.	3.74%
	Yuanta/P-shares Taiwan Dividend Plus ETF	3.34%
	Yu-Long Investments Co., Ltd.	2.33%
	New Labor Pension Fund	2.29%
	I-Ho Yeh	1.97%
	Rob Global Fund of Swift Bank under the custody of the branch of Standard Chartered Bank (Taiwan)	1.81%
	Fubon specially selected Taiwan high dividend 30ETF fund account	1.69%
	Van Garde Emerging Market Stock Index Fund account under the custody of the Chase Bank	1.36%
	Yuanta/P-shares Taiwan Dividend Plus ETF account	1.33%

April 1, 2022

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Ampire Co., Ltd.	AMICCOM Electronics Corporation, Ltd.	5.49%
	You Xiu Xiu	3.72%
	Su Han Chieh	2.96%
	Pei Chia Investment Co., Ltd.	2.41%
	Chen Chi Yung	2.31%
	Kuan-Wei Investments and Development Co., Ltd.	2.28%
	Liu Lai Fu-Zi	1.94%
	Chengding Venture Capital Co., LTD	1.69%
	Chung-Hsien Lee	1.57%
	Dong An Investment Co., Ltd.	1.06%

(IV) Directors and Supervisors

1. Disclosure of professional qualifications of directors and independence of independent directors:

Name (Note 1)	Professional qualifications and experience (Note 1)	Independence situation (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
Zhen Han Investment Co., Ltd. Representative: Cheng Ming Lung	It shall have working experience in business, asset management, and operation management, and have the operation judgment ability required by the company. Previous company managers, deputy general manager, general manager, and chairman of Shinyi housing (Co., Ltd.). There are no issues under Article 30 of the company law.	As the chairman of the company, it meets the requirements of independence: more than half of the directors or voting shares of the company are not directors, supervisors or employees of other companies controlled by the same person; there is no kinship relationship with other directors within the second degree of spouse.	-
Top Taiwan XI Venture Capital Co., Ltd Representative: Shen Li Ping	Working experience in business, asset management, accounting, finance, and operation management. Certified auditor of KPMG, deputy manager of Mega Securities, manager of Taishin Securities, manager of Top Taiwan Venture Capital Group, and legal director representative of Olis Innovation Co., Limited. There are no issues under Article 30 of the company law.	As the representative of the company director, it meets the requirements of independence: more than half of the directors or voting shares of the company are not directors, supervisors or employees of other companies controlled by the same person; there is no kinship relationship with other directors within the second degree of spouse; and did not provide the company or its affiliates business, legal, finance, accounting and other services obtained remuneration in the last two years.	-
Chen Hung Yi	Working experience in academic and industrial knowledge required by the company. He has been a doctor of pharmaceutical chemistry at China University of Pharmacy, the professor of pharmacy at China University of Pharmacy, and the supervisor of the company. There are no issues under Article 30 of the company law.	As the natural person of the company director, it meets the requirements of independence: more than half of the directors or voting shares of the company are not directors, supervisors or employees of other companies controlled by the same person; there is no kinship relationship with other directors within the second degree of spouse; does not hold the number of shares of the company; does not have a specific relationship with the company's directors, supervisors or employees; and did not provide the company or its affiliates business, legal, finance, accounting and other services obtained remuneration in the last two years.	-

Name (Note 1)	Professional qualifications and experience (Note 1)	Independence situation (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
Lu Shan Feng	Professional and technical personnel with academic and operational management experience, who have passed the national examination required by professional pharmacists and obtained certificates. Certified purchasing manager, associate, and deputy general manager of the company and the chairman of Great Tree Pets Co., Ltd. There are no issues under Article 30 of the company law.	As the natural person of the company director, it meets the requirements of independence: more than half of the directors or voting shares of the company are not directors, supervisors or employees of other companies controlled by the same person; there is no kinship relationship with other directors within the second degree of spouse; and did not provide the company or its affiliates business, legal, finance, accounting and other services obtained remuneration in the last two years.	-
Liu Tian Dao	Professional and technical personnel with working experience in business, academic, asset management, accounting, and finance, who have passed the national examination required by accountants and obtained certificates. Certified Public Accountant, Zhi-Dao Accounting Firm There are no issues under Article 30 of the company law.	As the independent chairman of the company, it meets the requirements of independence: including but not limited to the fact that he, his spouse, and relatives within the second degree do not serve as directors, supervisors, or employees of the company or its affiliated companies. The number of shares of the company not held. Not serving as a director, supervisor, or employee of a company with a specific relationship with the company. No remuneration was received from providing business, legal, financial, accounting, and other services to the company or its affiliated companies in the past two years.	-
Guo Dai Huang	Working experience in academic and industrial knowledge required by the company. Certified doctor of pharmaceutical chemistry at CMU and professor of the Department of Pharmacy and Institute of Pharmacy and President of Tajen University There are no issues under Article 30 of the company law.	As the independent chairman of the company, it meets the requirements of independence: including but not limited to the fact that he, his spouse, and relatives within the second degree do not serve as directors, supervisors, or employees of the company or its affiliated companies. The number of shares of the company held by myself, my spouse, and second-degree relatives (or in the name of others) is 58,725, accounting for 0.07% of the total issued shares. Not serving as a director, supervisor, or employee of a company with a specific relationship with the company. No remuneration was received from providing business, legal, financial, accounting, and other services to the company or its affiliated companies in the past two years.	-

Name (Note 1)	Professional qualifications and experience (Note 1)	Independence situation (Note 2)	Number of other public companies where the individual concurrently serves as an Independent Director
Wang Hsing Wen	Professional and technical personnel who have working experience in business, law, and finance and have passed the national examination required by lawyers with certificates. Certified Chief Lawyer of Wang Hsing Wen Law Firm There are no issues under Article 30 of the company law.	As the independent chairman of the company, it meets the requirements of independence: including but not limited to the fact that he, his spouse, and relatives within the second degree do not serve as directors, supervisors, or employees of the company or its affiliated companies. The number of shares of the company not held. Not serving as a director, supervisor, or employee of a company with a specific relationship with the company. No remuneration was received from providing business, legal, financial, accounting, and other services to the company or its affiliated companies in the past two years.	-

2. Independence and diversity of the board of directors:

The Board of Directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its Articles of Incorporation, and the resolutions of its Shareholders' Meetings. The structure of the board of directors of the company shall determine the appropriate number of directors with more than seven members, including not less than three independent directors and not less than one-fifth of the number of directors, which is based on the scale of the company's operation and development and the shareholding of its major shareholders, taking into account the needs of practical operation. The company sets the diversification objectives as follows:

- (1) The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that Directors concurrently serving as company officers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:
 - 1) Basic conditions and values: gender, age, nationality and culture.
 - 2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

(2) All members of the Board of directors shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- 1) Operational judgment.
- 2) Accounting and financial analysis ability.
- 3) Operation and management ability.
- 4) Crisis management ability.
- 5) Industrial knowledge.
- 6) International market view.
- 7) Leadership.
- 8) Decision-making ability.

The current third board of directors of the Company is composed of seven directors, including three independent directors and four non-independent directors. At present, the members of the board of directors have diverse backgrounds, including professional pharmacists, professors in pharmacy-related fields, certified public accountants, practicing lawyers and sages with rich business experience in various industries. The professional abilities of each director are diversified and complementary, which is sufficient to achieve the goal of diversification.

The current diversification policy and implementation of the Company's Board of Directors are as follows:

Diversified core projects	Basic component						Industry experience			Professional ability			Core project											
	Nationality	Gender	Having employee status	Age			Term of office and seniority of independent directors		Bank	Operation affairs	Learning	Asset management	Accounting	Law	Finance	Operation management	Accounting and financial analysis ability	Operational judgment ability	Management ability	Crisis management ability	Industrial knowledge capability	International market capacity	Leadership	Decision-making ability
				Aged 41-50	Aged 51-60	Aged 61-70	Less than three years	3 to 9 years																
Name of Director																								
Zhen Han Investment Co., Ltd. Representative: Cheng Ming Lung	Republic of China	Male	✓	✓					✓		✓				✓	✓		✓	✓	✓	✓	✓	✓	✓
Top Taiwan XI Venture Capital Co., Ltd. Representative: Shen Li Ping	Republic of China	Male		✓						✓	✓	✓		✓	✓	✓		✓			✓	✓	✓	✓
Chen Hung Yi	Republic of China	Male			✓						✓				✓	✓				✓	✓	✓	✓	✓
Lu Shan Feng	Republic of China	Male	✓	✓						✓					✓	✓		✓	✓	✓	✓	✓	✓	✓
Liu Tian Dao	Republic of China	Male		✓			✓		✓	✓	✓	✓		✓	✓	✓		✓			✓	✓	✓	✓
Guo Dai Huang	Republic of China	Male			✓	✓				✓					✓	✓		✓		✓	✓	✓	✓	✓
Wang Hsing Wen	Republic of China	Female		✓			✓		✓				✓	✓		✓	✓	✓			✓	✓	✓	✓

The Company has 7 directors with a term of three years, and the average term of directors is 5 years. Among them, the term of independent directors of Guo Dai Huang and Wang Hsing Wen is less than 3 years; the term of independent directors of Liu Tian Dao is 8 years, and all independent directors shall not serve more than three consecutive terms.

The members of the board of directors are of their nationality, and the component structure accounts for 42.86% of the three independent directors respectively; Two directors with working status accounted for 28.57%. The age distribution range of directors includes four directors aged 41-50, two directors aged 51-60, and one director over 61.

The company also pays attention to gender equality in the composition of the board of directors in addition to the above and aims to increase the number of female directors to more than one-third (i.e. 33%). A total of 86% (6) of the board of directors are male and 14% (1) are female at present. It is planned to reelect directors in 2023 and will try its best to increase the number of female directors to achieve the goal.

Note 1: Professional qualifications and experience: It shall state the professional qualifications and experience of independent directors and supervisors. It shall state their accounting or financial background and work experience if they are members of the audit committee and have accounting or financial expertise, and also state whether they have no circumstances under Article 30 of the company law.

Note 2: The independent director shall state the conditions that meet the independence, including but not limited to whether he, his spouse, and second-degree relatives are directors, supervisors, or employees of the company or its affiliated companies. The number and proportion of shares held by myself, my spouse, and second-degree relatives (or in the name of others). Whether to serve as a director, supervisor, or employee of a company with a specific relationship with the company (refer to Article 3, paragraph 1, subparagraphs 5-8 of the regulations on the establishment and compliance of independent directors of public companies)? The amount of remuneration received for providing business, legal, accounting, and other services to the company or its affiliated companies in the past two years.

(V) President, Vice Presidents, Associate Managers, and Supervisors of All the Company's Divisions and Branch Units

April 2, 2023 (date of cessation of transfer); Unit: shares

Title (Note 1)	Name	Nationality	Gender	Date first elected or assumed office	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Work and academic experiences (Note 2)	Positions concurrently held in other companies	Managers who have spousal or second-degr ee family relationships within the Company			Remarks (Note 3)
					Shareholding	Shareholding ratio	Shareholding	Shareholding ratio	Shareholding	Shareholding ratio			Title	Name	Relations	
General Manager	Cheng Ming Lung	Republic of China	Male	2014.01.01	2,314,867	2.57	-	-	6,897,715	7.67	1. Bachelor's Degree, Shih Chien University 2. Manager of Sinyi Realty Inc. 3. General Manager of Great Tree Pharmacy Co., Ltd.	1. Director of Treetop Molecular Biotechnology Co., Ltd. 2. Chairman of Da Yu Property Management Co., Ltd. 3. Director and General Manager of Zhen Han Investment Co., Ltd. 4. Directors of Hao Cheng Investment (shares) Co., Ltd.	-	-	-	Note 3
Deputy General Manager	Lu Shan Feng	Republic of China	Male	2019.10.30	914,640	1.02	95,542	0.11	-	-	1. Bachelor's degree from Department of Pharmacy, Chia Nan University of Pharmacy & Science 2. Qualified for Senior Pharmacist Examination for Professional and Technical Personnel	Chairman, Great Tree Pet Co., Ltd.	-	-	-	-
Assistant Manager at Finance and Head of Corporate Governance	Wu Shu Yi	Republic of China	Female	2013.11.01	375,257	0.42	-	-	-	-	1. Bachelor of accounting department of Fu Jen Catholic University (FJCU) 2. Senior Manager of Ernst & Young 3. Finance Manager of Great Tree Pharmacy Co., Ltd.	Supervisor of Da Yu Property Management Co., Ltd.	-	-	-	-
Assistant Manager of the Administratio n Department	Da-Hong Cheng	Republic of China	Male	2019.10.24	579,635	0.64	-	-	-	-	1. Scholar of the Department of Pharmacy of Tajen University 2. Qualified for Senior Pharmacist Examination for Professional and Technical Personnel	-	-	-	-	-
Assistant Manager of the Operation Department	Feng-Sh eng Huang	Republic of China	Male	2019.10.30	175,997	0.20	5,172	0.01	-	-	1. Scholar of the Department of Pharmacy of Tajen University 2. Qualified for Senior Pharmacist Examination for Professional	Chairman of Ivy Biotechnology Co., Ltd.	-	-	-	-

											and Technical Personnel					
Assistant Manager of the Product Purchase and Marketing Department	Shi-Wei Ye	Republic of China	Male	2019.10.30	384,646	0.43	139,143	0.15	-	-	1. Bachelor's Degree, School of Pharmacy, China Medical University 2. Qualified for Senior Pharmacist Examination for Professional and Technical Personnel	Chairman of Bai-Lin Logistics Co., Ltd.	-	-	-	-
Chief Auditor	Huang Shu Yi	Republic of China	Female	2014.08.11	49,180	0.05	-	-	-	-	1. Bachelor of accounting department of Tunghai University 2. Manager of Ernst & Young	-	-	-	-	-

Note 1: Disclosure of information on General Manager, Vice Presidents, Assistant Managers, and Managers from all departments and branches and ranks equivalent to General Manager, Vice Presidents, and Assistant Managers, regardless of titles, shall be required.

Note 2: For the current positions in the CPA firm or affiliates in the first term mentioned above, the titles and duties of such positions should be clearly stated.

Note 3: The reasons, reasonableness, necessity and countermeasures shall be disclosed when the general manager or equivalent person (top manager) is the same person as the chairman, spouse or first-degree relative: the chairman and the general manager are the same person who is conducive to the development and efficiency of the company based on the characteristics of the industry, and more than half of the directors are not simultaneously employees or managers.

(VI) Succession project of the board of directors and important management

1. Succession plan of board of directors members

The directors of the company are nominated by the major shareholders and elected by the shareholders' meeting to form the board of directors. Members of the board of directors shall have a professional background (such as law, accounting, industry, finance, marketing, or technology) and professional skills (such as operation judgment ability, accounting, and financial analysis ability, operation and management ability, crisis handling ability, industrial knowledge, international market view, leadership ability, and decision-making ability).

The successor directors shall also have expertise in the company's business project and business in addition to having a professional background and professional skills. The company will consider selecting courses covering finance, risk management, business, business, legal affairs, accounting, corporate social responsibility, and other topics related to corporate governance beyond the scope of the directors' professional abilities or courses related to internal control systems and financial reporting responsibility to enable the members of the board of directors to improve their professionalism and make continuous improvement. Each person shall arrange at least six to twelve hours of refresher courses every year under the "key points for the implementation of refresher courses for directors and supervisors of listed and OTC companies" to ensure that members of the board of directors have a considerable degree of industrial knowledge and acquire new knowledge.

The company implements the diversification policy of the members of the board of directors under the "code of practice on corporate governance". There are seven directors (including three independent directors) now, with diversified and complementary experience in the pharmaceutical industry and professional abilities such in law, finance, and accounting. Two of them are also the senior management of the company. It will continue the current structure in the future for The component structure and members' experience background of the board of directors of the company. Furthermore, the members of the board of directors will conduct performance evaluations every year, and the evaluation results will use as a reference when nominating new directors.

2. Succession project of important management

Important management successors shall have high executive power, correct values, ethicalness, sincerity, honesty, and other personality traits, take the company concept of "professionalism, ethicalness, and sharing" as the standard, and strive to achieve the win-win goals of employee satisfaction, customer satisfaction, and shareholder satisfaction.

We usually cultivate the three skills of management knowledge, management skills, and management leadership by performing different project tasks in the training project of important management levels and exploring their gaps in the development process. Furthermore, each person is arranged with three to twelve hours of advanced courses related to corporate governance every year in terms of management functions (such as strategy, thinking, analysis, projects, execution, expression, cultivation, coordination, team, and Leadership) Professional abilities (such as operating market judgment, accounting, financial analysis, operation and management, crisis management, industrial knowledge, international market outlook) and personal development are strengthened through external professional courses. The successor selection can improve the operation and management ability and thinking through management course training and job experience, complete the preparation for taking over before the scheduled time of taking over.

III. Remuneration paid to Directors, Supervisors, General Manager, Deputy General and Managers in the Most Recent Year

(I) Remuneration of directors (including independent directors) (some disclosure of names and remuneration methods)

December 31, 2022 unit:

NT\$1000

Title	Name	Remuneration of Directors								Compensations paid to concurrent employees								Ratio of total remunerations including A, B, C, D, E, F, and G to net income after tax (%) (Note 10)		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in or parent company (Note 11)		
		Remuneration (A) (note 2)		Retirement pension (B)		Remuneration of Directors (C) (Note 3)		Business execution expenses (D) (Note 4)		Ratio of total remunerations including A, B, C, and D to net income after tax (%) (Note 10)		Salaries, bonuses and special expenses (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)						
		The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)			The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company			Financial Reports All Companies (Note 7)	
										Cash amount	Stock amount							Cash amount	Stock amount			
Chairman and General Manager	Zhen Han Investment Co., Ltd. Representative: Cheng Ming Lung	6,225	6,225	-	-	724	724	-	-	0.99	0.99	-	-	-	-	-	-	-	-	0.99	0.99	None
Director	Top Taiwan XI Venture Capital Co., Ltd Representative: Shen Li Ping	-	-	-	-	725	725	25	25	0.11	0.11	-	-	-	-	-	-	-	-	0.11	0.11	None
Director	Chen Hung Yi	-	-	-	-	725	725	24	24	0.11	0.11	-	-	-	-	-	-	-	-	0.11	0.11	None
Directors and Deputy General Manager	Lu Shan Feng	-	-	-	-	724	724	-	-	0.10	0.10	2,701	2,701	-	-	-	-	-	-	0.49	0.49	None
Independent Director	Liu Tian Dao	-	-	-	-	725	725	60	60	0.11	0.11	-	-	-	-	-	-	-	-	0.11	0.11	None
Independent Director	Guo Dai Huang	-	-	-	-	725	725	-	-	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	None
Independent Director	Wang Hsing Wen	-	-	-	-	725	725	-	-	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	None

1. Please explain the compensation policy, system, standards and structure of independent directors, and explain the relevance of the amount of remuneration according to the responsibilities, risks, investment time and other factors: according to the company's articles of association, if there is a profit in the company, 3% to 10% should be allocated for employee remuneration, not more than 5% for director remuneration, and the amount of director remuneration will change with the pre-tax profit, which should be reasonable.
2. In addition to the disclosures in the above table, the remuneration received by the directors of the Company for services rendered in the most recent year (such as acting as an advisor to all non-employees of the Company/Reinvestment Business in the parent company/financial report): None.

Note: In 2022, the Company's net income after tax from individual financial reports was NT\$700,071 thousand.

Table of Remuneration Ranges

Table of Remuneration Ranges for Directors	Name of Director			
	Total remunerations from A to D (A+B+C+D)		Total remunerations from A to G (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statements (Note 9) H	The Company (Note 8)	All companies listed in the financial report (Note 9) I
Less than NT\$1,000,000	Shen Li Ping (Representative of Top Taiwan XI Venture Capital Co., Ltd.), Chen Hung Yi, Lu Shan Feng, Liu Tian Dao, Guo Dai Huang and Wang Hsing Wen.	Shen Li Ping (Representative of Top Taiwan XI Venture Capital Co., Ltd.), Chen Hung Yi, Lu Shan Feng, Liu Tian Dao, Guo Dai Huang and Wang Hsing Wen.	Shen Li Ping (Representative of Top Taiwan XI Venture Capital Co., Ltd.), Chen Hung Yi, Liu Tian Dao, Guo Dai Huang and Wang Hsing Wen.	Shen Li Ping (Representative of Top Taiwan XI Venture Capital Co., Ltd.), Chen Hung Yi, Liu Tian Dao, Guo Dai Huang and Wang Hsing Wen.
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	Lu Shan Feng	Lu Shan Feng
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)	Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)	Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)	Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)
Total	Seven persons	Seven persons	Seven persons	Seven persons

Note 1: The names of the directors shall be listed separately (the corporate shareholders shall list the names of the corporate shareholders and the representatives separately), and the general directors and independent directors shall be listed separately, and the amount of each payment shall be disclosed in an aggregate manner. This table and the following table 2 and 3 shall be filled if a Director concurrently serves as the General Manager or Vice President.

Note 2: It refers to the remuneration of directors in 2022 (including directors' salary, job bonus, severance pay, various bonuses, awards, etc.).

Note 3: It refers to the amount of directors' remuneration distributed by the board of directors in 2022.

Note 4: It refers to the relevant business execution expenses of the directors in 2022 (including travel expenses, special expenses, various allowances, dormitories, car allocation, and other physical provisions, etc.). In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits.

Note 5: It refers to the salary received by the directors and employees (including general manager, deputy general manager, other managers, and employees) in 2022, including salary, job bonus, severance pay, various bonuses, bonuses, travel expenses, special expenses, various allowances, dormitories, car allocation, and other material objects. In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits. Any salary listed under IFRS 2 Share-Based Payment, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included in compensations.

- Note 6: It refers to the remuneration (including shares and cash) obtained by the directors and employees (including the general manager, deputy general manager, other managers, and employees) in 2022. It shall disclose the amount of remuneration distributed by the board of directors in recent year. It shall calculate the proposed distribution amount for this year under the proportion of the actual distribution amount of last year if it is impossible to predict, and attached tables 1-3 shall be filled in.
- Note 7: It shall disclose the total amount of remuneration paid by all companies (including the company) to the directors of the company in the consolidated report.
- Note 8: It shall disclose the name of the director in the level to which he belongs for the total amount of remuneration paid by the company to each director.
- Note 9: It shall disclose the total amount of remuneration paid by all companies (including the company) to each director of the company in the consolidated report, and the names of the directors shall be disclosed in the level to which they belong.
- Note 10: Net profit after tax refers to the net profit after tax of independent or independent financial reports in 2022.
- Note 11: a. This column shall indicate the amount of remuneration received by the company's directors from reinvested business other than subsidiaries or the parent company (if there is no one, please fill in "None").
- b. It shall incorporate the remuneration received by the director of the company from a reinvestment business outside the subsidiary or the parent company into column I of the remuneration scale if a director of the company receives relevant remuneration from a reinvestment business outside the subsidiary or the parent company, and change the domain name to "parent company and all reinvested business".
- c. Remuneration refers to the reward, remuneration (including remuneration of employees, directors, and supervisors), and business execution expenses received by the directors of the company as directors, supervisors, or managers of reinvestment business other than subsidiaries or parent companies.
- * The disclosed contents and amounts in this table are calculated from a concept different from the calculations of income tax. Hence the purpose of this table is solely for the purpose of information disclosure and not for tax purposes.

(II) Remuneration of the general manager and Deputy General Manager (summary and cooperation level distance and disclosure of names)

December 31, 2022 unit: NT\$1000

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonus and Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total remunerations including A, B, C, and D to net income after tax (%) (Note 8)		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in <u>or parent company</u> (Note 9)
		The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company		All companies in the Consolidated Financial Statements (Note 5)		The Company	All companies listed in this Financial Report (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Cheng Ming Lung	10,197	10,197	0	0	0	0	2,260	0	2,260	0	1.78	1.78	None
Deputy General Manager	Lu Shan Feng													
Assistant Manager	Wu Shu Yi													

* Disclosure is required for ranks equivalent to General Manager, Vice Presidents, and Assistant Managers, regardless of titles in the Company.

Note: In 2022, the Company's net income after tax from individual financial reports was NT\$700,071 thousand.

Table of Remuneration Ranges

Ranges of remunerations paid to General Manager and Vice Presidents of the Company	Name of General Manager and Vice Presidents	
	The Company (Note 6)	All companies in the Consolidated Financial Statements (Note 7) E
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Wu Shu Yi	Wu Shu Yi
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Lu Shan Feng	Lu Shan Feng
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	—	—
5,000 thousand (inclusive) ~ 10,000 thousand (exclusive)	Cheng Ming Lung	Cheng Ming Lung
Total	3 persons	3 persons

Note 1: The names of the general manager and the deputy general manager shall be listed separately, and the payment amount shall disclose in the form of a summary. This table and the table above (1) shall be filled if a Director concurrently serves as the General Manager or Vice President.

Note 2: It shall fill in the salary, job bonus, and severance pay of the general manager and deputy general manager in 2022.

Note 3: It shall fill in the number of various bonuses, rewards, fares, special expenses, various allowances, dormitories, and cars, which are provided in-kind, and other remuneration amounts of the general manager and deputy general manager in 2022. In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and

its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits. Any salary listed under IFRS 2 Share-Based Payment, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included in compensations.

- Note 4: It refers to the amount of employee remuneration (including shares and cash) distributed to the general manager and deputy general manager through the board of directors in 2022. It shall calculate the proposed distribution amount for this year under the proportion of the actual distribution amount of last year if it is impossible to predict, and attached tables 1-3 shall be filled in.
- Note 5: It shall disclose the total amount of remuneration paid by all companies (including the company) to the general manager and deputy general manager of the company in the consolidated report.
- Note 6: It shall disclose the total amount of remuneration paid by the company to each general manager and deputy general manager and the names of the general manager and deputy general manager in the level to which they belong.
- Note 7: It shall disclose the total amount of remuneration paid by all companies (including the company) to each general manager and deputy general manager of the company in the consolidated report, and the names of the general manager and deputy general manager at the level to which they belong.
- Note 8: Net profit after tax refers to the net profit after tax of independent or independent financial reports in 2022.
- Note 9:
- a. This column shall indicate the amount of relevant remuneration received by the general manager and deputy general manager of the company from reinvestment business outside the subsidiary or the parent company (if not, please fill in "None").
 - b. If the general manager and vice manager of the Company receive remuneration from invested companies other than subsidiaries or parent company, the remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "Parent Company and All Invested Companies."
 - c. Remuneration in this case refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances received by the general manager and vice manager of the Company as the directors, supervisors, or managerial officers of invested companies other than subsidiaries or parent company.

* The disclosed contents and amounts in this table are calculated from a concept different from the calculations of income tax. Hence the purpose of this table is solely for the purpose of information disclosure and not for tax purposes.

(III) Names of Managers and the Distribution of Employee's Profit-sharing Bonus

December 31, 2022 unit: NT\$1000

	Title	Name	Stock amount	Cash Amount	Total	Percentage of total compensations on the net income after tax (%)
Manager	General Manager	Cheng Ming Lung	0	3,612	3,612	0.52
	Deputy General Manager	Lu Shan Feng				
	Assistant Manager at Finance Department	Wu Shu Yi				
	Assistant Manager of the Administration Department	Da-Hong Cheng				
	Assistant Manager of the Operation Department	Feng-Sheng Huang				
	Assistant Manager of the Product Purchase and Marketing Department	Shi-Wei Ye				

Note 1: It shall disclose independent names and professional titles, but the profit distribution can be disclosed in the form of a summary.

Note 2: It refers to the amount of employee remuneration (including shares and cash) distributed to managers through the board of directors in recent year. It shall calculate the proposed distribution amount for this year under the proportion of the actual distribution amount of last year if it is impossible to estimate. Net income after tax refers to the net income after tax from the most recent year. In case IFRS has been adopted, net income after tax refers to the net income after tax in the Individual Financial Statements of the most recent year.

Note 3: The scope of application of the manager is as follows under the regulation of the FSC's Letter No. 0920001301 dated March 27, 2003:

- (1) General manager and equivalent
- (2) Deputy general manager or equivalent
- (3) Associate and equivalent
- (4) Head of Finance Department
- (5) Head of the Accounting Department
- (6) Other persons who have the right to manage affairs and sign for the company

Note 4: This form shall be filled out in addition to attached tables 1-2 if directors, general managers, and deputy general managers receive employee remuneration (including shares and cash).

(IV) Analysis of the ratio of remunerations paid by the Company and all companies in the Consolidated Financial Statements to Company Directors, Supervisors, General Manager, and Vice President in the most recent two years on the net income after tax and explanation of policy, standards and mix of remunerations, procedures in setting remunerations and correlations to management performance and future risks:

Title	2021				2022			
	Total compensations (in NT\$1,000)		Percentage on the net income after tax (%)		Total compensations (in NT\$1,000)		Percentage on the net income after tax (%)	
	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements
Director	11,735	11,735	2.88	2.88	14,108	14,108	2.01	2.01
Supervisors	-	-	-	-	-	-	-	-
General Manager and Vice President	11,115	11,115	2.73	2.73	12,457	12,457	1.78	1.78

Note: After-tax net profit refers to the after-tax net profit in the financial reports of 2022 and 2021

The Company's remunerations for Directors and Supervisors are handled in accordance with the Company's Articles of Incorporation. Since managers have the obligations to carry out both Company management and operations, compensations for managers include pay, bonus, and employee bonus, and are carried out in accordance with the Company's remuneration system and in consideration of individual manager's seniority, experiences, management performance, and levels of contribution. Future risk is evaluated and remunerations are paid out in reference to industry standards.

IV. Status of Company's Corporate Governance

- (I) Board of Directors: The meetings of the board of directors are divided into ten and one in recent year (2022) and 2023 as of the printing date of this year's newspaper. Therefore, the board of directors has held eleven meetings (a) in recent year. The attendance of directors is as follows:

Title	Name (Note 1)	Actual attendance (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note 2)	Remark
Chairman	Zhen Han Investment Co., Ltd. Representative: Cheng Ming Lung	11	0	100.00%	Should attend: 11 times, re-election, re-election date: 2020/06/17, Elected as the third chairman of the board of directors on November 10, 2020
Director	Top Taiwan XI Venture Capital Co., Ltd. Representative: Shen Li Ping	11	0	100.00%	Attendance: 11 times, newly elected, election date: June 17, 2020
Director	Chen Hung Yi	11	0	100.00%	Attendance: 11 times, newly elected, election date: June 17, 2020
Director	Lu Shan Feng	11	0	100.00%	Attendance: 11 times, newly, election date: June 17, 2021
Independent Director	Liu Tian Dao	11	0	100.00%	Attendance: 11 times, re-election, re-election date: June 17, 2020
Independent Director	Guo Dai Huang	11	0	100.00%	Attendance: 11 times, newly elected, election date: June 17, 2020
Independent Director	Wang Hsing Wen	11	0	100.00%	Attendance: 11 times, newly elected, election date: June 17, 2020

Other required disclosure:

- I. The date of the board meeting, the term, content of the proposals, opinion of all Independent Directors, and the Company's handling of the opinion of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

- (I) Items listed in Article 14-3 of Securities and Exchange Act.

Date	Number of meeting	Content of proposal	All Independent Directors' opinion and the reaction toward Independent Directors' opinions by the Company shall be specified
2022.01.20	The 11th Meeting of the third session	Reviewed the year-end performance bonus allocation project for the Company's managers.	Passed by all Independent Directors without dissent.
2022.02.25	The 12th Meeting of the third session	Branch abolition	Passed by all Independent Directors without dissent.
		The company intends to participate in the cash capital increase of Great Tree Pets Co., Ltd.	Passed by all Independent Directors without dissent.
		The company released 2022 employee stock option certificates and share subscription measures	Passed by all Independent Directors without dissent.

		The company plans to invest NT\$50,000 thousand to participate in the raising and establishment of Top Taiwan XIV Venture Capital Co., Ltd.	Passed by all Independent Directors without dissent.
		Independence of Certified Public Accountants of the company	Passed by all Independent Directors without dissent.
		Surplus to capital increase and release of new shares	Passed by all Independent Directors without dissent.
		Proposal on amending some provisions of the Company's "Procedures for the Acquisition or Disposal of Assets"	Passed by all Independent Directors without dissent.
		Revise some articles of the company's "code of practice on corporate social responsibility"	Passed by all Independent Directors without dissent.
		Revise some articles of the company's "code of practice on corporate governance"	Passed by all Independent Directors without dissent.
2022.04.06	The 13th Meeting of the third session	Private ordinary shares and/or private domestic unsecured convertible corporate bonds	Passed by all Independent Directors without dissent.
2022.05.12	The 14th Meeting of the third session	Amendment to the Partial Provisions of the Company's "Private Unsecured Convertible Corporate Bond Issuance and Conversion Measures (Provisional)".	Passed by all Independent Directors without dissent.
		The Company intends to directly invest NT\$20 million in a joint venture in Malaysia to establish Great Tree Malaysia Limited (working title)	Passed by all Independent Directors without dissent.
2022.06.22	The 15th Meeting of the third session	Proposal related to transfer of earnings to capital increase of the company	Passed by all Independent Directors without dissent.
		The company intends to authorize the chairman to participate in land bidding cases handled by government	Passed by all Independent Directors without dissent.
2022.07.07	The 16th Meeting of the third session	The company intends to issue the second domestic unsecured conversion of corporate bonds	Passed by all Independent Directors without dissent.
2022.09.06	The 18th Meeting of the third session	The company intends to handle the private placement of domestic unsecured convertible corporate bonds related matters	Passed by all Independent Directors without dissent.
2022.11.10	The 19th Meeting of the third session	Proposal on the Company's 2021 remuneration distribution for directors and supervisors	Passed by all Independent Directors without dissent.
		Amendments to the Company's First Employee Share Option and Subscription Act of 2022	Passed by all Independent Directors without dissent.
		Proposal on amending the "Rules of Procedure of the Board of Shareholders" of the Company	Passed by all Independent Directors without dissent.
		Amend part of the "Rules of Procedure of the Board of Directors" of the Company.	Passed by all Independent Directors without dissent.
		Amend the Company's "Procedures for Handling Material Inside Information"	Passed by all Independent Directors without dissent.
2022.12.15	The 20th Meeting of the third session	Make a decision on the Company's "Measures for Remuneration Payment to Directors and Functional Members"	Passed by all Independent Directors without dissent.
		Amendments to the Company's "Measures for Employee Share Option and Subscription Act of the Year 2022"	Passed by all Independent Directors without dissent.
		List of warrant holders and date of issue of employee warrants issued by the Company for the year 2022	Passed by all Independent Directors without dissent.
2023.02.23	The 21th Meeting of the third session	To amend some of the articles in Company's "Articles of Incorporation"	Passed by all Independent Directors without dissent.
		The company intends to participate in the cash capital increase of Great Tree Pets Co., Ltd.	Passed by all Independent Directors without dissent.
		Case of changing accountants of the company	Passed by all Independent Directors without dissent.
		Independence of Certified Public Accountants of the company	Passed by all Independent Directors without dissent.

		Proposed General Policy for Unconvincing Services of Ernst&Young and its Affiliates	Passed by all Independent Directors without dissent.
		The case of converting surplus into capital increase and releasing new shares	Passed by all Independent Directors without dissent.
		Amend the Company's Code of Practice on Corporate Governance and the Code of Practice on Sustainable Development	Passed by all Independent Directors without dissent.
		Proposal to formulate the Company's "related party mutual financial business related regulations"	Passed by all Independent Directors without dissent.
		Amend part of the "Measures for Preventing Insider Trading" of the Company	Passed by all Independent Directors without dissent.
		Proposal on amending some provisions of the Company's "Procedures for the Acquisition or Disposal of Assets"	Passed by all Independent Directors without dissent.
		Proposal for private placement of ordinary shares and/or private placement of domestic unsecured convertible corporate bonds	Passed by all Independent Directors without dissent.

(II) Other than the matters mentioned above, other resolutions decided by board of directors on which the Independent Directors have dissenting opinions or qualified opinions: None.

II. In regards to the recusal of Directors from voting due to conflict of interests, the name of the Directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated:

(I) The 12th Meeting of the third session of the board of directors on February 25, 2022

Resolution: Approved the company intends to invest NT\$50,000 thousand to participate in the raising and establishment of Top Taiwan XIV Venture Capital Co., Ltd.

Director and representative of Top Taiwan XI Venture Capital Co., Ltd.: Shen Li Ping. To avoid interest, please withdraw before the resolution. The above proposal was passed without objection after the chairman consulted the opinions of other directors present and discussed it.

(II) The 12th Meeting of the third session of the board of directors on December 15, 2022

Proposal: (1) Reviewed the year-end performance bonus allocation plan for the Company's managers.

(2) List of warrant holders and date of issue of employee warrants issued by the Company for the year 2022

Circumstances of Recusal: When voting on this motion, interested parties (General Manager Cheng Ming Lung, Deputy General Manager Lu Shan Feng and Associate of Finance Department Wu Shu Yi) are invited to leave first, and the above-mentioned motion is passed without objection after the chairman of the Personnel Officer acting as the chairman of the meeting of the case consults other directors present for opinions and after discussion.

III. The evaluation cycle, period, scope, method and content of the Board of Directors' self (or peer) evaluation:

Evaluation cycle	Period of Evaluation	Scope	Evaluation methods	Assessment Content
Executed every year	January 1, 2022, to December 31, 2022	Performance evaluation of Board of Directors, individual directors and functional committee	Internal self-evaluation of Board of Directors, self-evaluation of board members and peer evaluation	<p>(1) Board performance evaluation:</p> <p>A. Participation in the operation of the company</p> <p>B. Improve the decision-making quality of the board of directors</p> <p>C. Composition and structure of the board of directors</p> <p>D. Selection and continuing education of directors</p> <p>E. Internal control</p> <p>(2) Performance evaluation of directors:</p> <p>A. Mastery of company objectives and tasks</p> <p>B. Cognition of directors' responsibilities</p> <p>C. Participation in the operation of the company</p> <p>D. Internal relationship management and communication</p> <p>E. Professional and continuing education of directors</p> <p>F. Internal control</p> <p>(3) Function Committee performance evaluation:</p>

					A. Participation in the operation of the company B. Function Committee responsibility cognition C. Decision quality of function Committee D. Component and member selection of function Committee E. Internal control
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The full score is 5 for the above self-evaluation performance evaluation of the company. They are 4.64, 4.65, and 4.56 respectively in 2022 for the performance evaluation of the board of directors, the performance evaluation of board members, and the performance evaluation of function committees. The evaluation results show that the board of directors and the management team have good interaction, the overall operation is perfect, and still meets the requirements of corporate governance. It will include the performance evaluation results in the reference for director renewal.

- IV. Measures taken to strengthen the functions of the Board (for example, establishing an Audit Committee and enhancing information transparency) for the current year and the most recent year and the implementation:
- (I) The company established an audit committee on June 17, 2020, to supervise and improve the decision-making quality of the board of directors.
 - (II) In terms of strengthening the functions of the board of directors: the Company has established the "Rules of Procedure for Board of Directors Meetings" and "Self-Evaluation or Peer Evaluation Methods of the Board of Directors," and subsequent operations, evaluation, and assessment of the Board will be handled in accordance with relevant rules. In addition, the Company elected three external independent directors and established a Remuneration Committee and an Audit Committee to enhance corporate governance.
 - (III) In terms of improving information transparency: the Company has a spokesperson and acting spokesperson to respond to the inquiries of external personnel and set up a company website (www.greentree.com.tw), which includes: corporate governance, corporate organization, financial information, shareholder column, stakeholder area, etc.
 - (IV) The company handled two continuing courses for directors on August 11 and November 10, 2022, under the requirements of regulations, and arranged for new directors to participate in other continuing courses, to make directors meet the requirements of annual refresher hours.

Note 1: It shall disclose the name of the legal person shareholder and the name of its representative if a director or supervisor is a legal person.

Note 2:

- (1) In case any Director or Supervisor has been released of his/her duty before year end, the date of turnover shall be recorded in the Remarks column. Actual attendance rate (%) shall be calculated based on the number of Board of directors meetings convened and his/her actual attendance during his/her term of service.
- (2) In case any seat of Director or Supervisor has been re-elected before year end, both the previous and current Director/Supervisor shall be filled, and Remarks should indicate whether a Director/Supervisor was from a previous term, newly appointed, re-appointed, and the date of re-election. Actual attendance rate (%) shall be calculated using the number of board of Directors' Meetings convened and actual attendance during the term of service.

- (II) The audit committee has held nine meetings and one meeting in recent year (2022) and 2023 as of the printing date of this year's newspaper. Therefore, the audit committee has held ten meetings (A) in recent year. The attendance of directors and supervisors is as follows:

Title	Name	Actual attendance (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Remark
Convener	Liu Tian Dao	10	0	100.00%	Attendance: 10 times, newly elected, election date: June 17, 2020
Member	Guo Dai Huang	10	0	100.00%	Attendance: 10 times, newly elected, election date: June 17, 2020
Member	Wang Hsing Wen	10	0	100.00%	Attendance: 10 times, newly elected, election date: June 17, 2020

Other required disclosure:

- I. It shall state the resolution results of the audit committee and the company's handling of the opinions of the audit committee in case of any of the following circumstances in the operation of the audit committee, the date and period of the audit committee, the contents of the proposal, the objections, reservations, or major suggestions of the independent directors:

(I) Items listed in Article 14-5 of the Securities Exchange Act.

Meeting and date	Proposal	Matters that have not been approved by the Audit Committee but have been agreed by more than two-thirds of all directors	The Company's Response	Resolution
The 8th Audit Committee of the 1st session (February 25, 2022)	The company intends to participate in the cash capital increase of Great Tree Pets Co., Ltd.	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	The company plans to invest NT\$50,000 thousand to participate in the raising and establishment of Top Taiwan XIV Venture Capital Co., Ltd.	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	2021 annual business report and financial statement	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	The case of converting surplus into capital increase and releasing new shares	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Statement of the company's internal control system in 2021	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.

	Proposal on amending some provisions of the Company's "Procedures for the Acquisition or Disposal of Assets"	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Revise some articles of the company's "code of practice on corporate social responsibility"	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Revise some articles of the company's "code of practice on corporate governance"	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The ninth Audit Committee of the first session (April 06, 2022)	Proposal for private placement of ordinary shares and/or private placement of domestic unsecured convertible corporate bonds	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The tenth Audit Committee of the 1st session (May 12, 2022)	Consolidated financial statements of the company for the first quarter of 2022	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	The Company intends to directly invest NT\$20,000,000 in a joint venture in Malaysia to establish Great Tree Malaysia Limited.	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The eleventh Audit Committee of the 1st session (June 22, 2022)	The company intends to authorize the chairman to participate in land bidding cases handled by government	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The Twelfth Audit Committee of the 1st session (July 07, 2022)	The company intends to issue the second domestic unsecured conversion of corporate bonds	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The Thirteenth Audit Committee of the 1st session (August 11, 2022)	The company's consolidated financial statements for the second quarter of 2022	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The Fourteenth Audit Committee of the 1st session (September 06, 2022)	The company intends to handle the private placement of domestic unsecured convertible corporate bonds related matters	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The fifteenth Audit Committee of the 1st session (November 10,	The company's consolidated financial statements for the third quarter of 2022.	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Proposal on amending	None	Not	After the chairman consulted all

2022)	the "Rules of Procedure of the Board of Shareholders" of the Company		applicable	the members present, the case was passed without objection.
	Amend part of the "Rules of Procedure of the Board of Directors" of the Company.	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Amend the Company's "Procedures for Handling Material Inside Information"	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The sixteenth Audit Committee of the 1st session (December 15, 2022)	List of warrant holders and date of issue of employee warrants issued by the Company for the year 2022	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
The seventeenth Audit Committee of the 1st session (February 23, 2023)	The company intends to participate in the cash capital increase of Great Tree Pets Co., Ltd.	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Case of changing accountants of the company	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Independence of Certified Public Accountants of the company	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Proposed General Policy for Unconvincing Services of Ernst&Young and its Affiliates	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	2022 annual business report and financial statement	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	2022 Appropriation of Net Income	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	The case of converting surplus into capital increase and releasing new shares	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	The Company's 2022 Statement of Internal Control	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Amend the Company's Code of Practice on Corporate Governance and the Code of Practice on Sustainable Development	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Proposal to formulate the Company's "related party mutual financial	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.

	business related regulations"			
	Amend part of the "Measures for Preventing Insider Trading" of the Company	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Proposal on amending some provisions of the Company's "Procedures for the Acquisition or Disposal of Assets"	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	To release the newly elected Director and their representatives from non-competition restriction	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.
	Proposal for private placement of ordinary shares and/or private placement of domestic unsecured convertible corporate bonds	None	Not applicable	After the chairman consulted all the members present, the case was passed without objection.

(II) Except for the matters mentioned above, other matters that have not been approved by the Audit Committee but have been agreed by more than two-thirds of all directors: None.

II. The implementation status of independent director's avoidance of interested proposals, which shall state the name of independent director, the content of the proposals, the reasons for the avoidance of interests, and the circumstances of participation in voting: None.

III. The communications between the independent director and the internal audit supervisor and accountant (including major issues, methods and results of communication regarding the company's financial and business status).

(I) The head of accounting and audit of the Company regularly provides the accounting and audit reports of the Company to the independent directors, and reports the latest accounting and audit information through the Audit Committee. If the independent directors have any questions about the internal control, accounting or audit operations of the Company, they can immediately communicate with the head of the relevant unit for a review and improvement.

(II) Summary of previous communication between Independent Directors and the Chief Audit Executive and CPAs:

Date	Location	Content of the communication	Results
2022.02.25	Meeting room of the Company	<ol style="list-style-type: none"> The accountant communicates with the corporate governance unit for the consolidated financial report of 2021 Update of Securities Regulatory Act Update of Tax Act General audit report Introduction to the revision of the corporate governance evaluation system 	Independent Directors have no objection to the content of the report.
2022.08.11	Meeting room of the Company	<ol style="list-style-type: none"> Accountants Communicate with Corporate Governance Units on Consolidated Financial Reporting for the Second Quarter of 2022 Update of Securities Regulatory Act Update of Tax Act General audit report Sustainability Updates 	Independent Directors have no objection to the content of the report.

(III) The operation status of corporate governance and the differences between it and the "code of practice for corporate governance" of listed and OTC companies and the reasons

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
I. Does the company formulate and disclose the code of corporate governance practices under the "code of corporate governance practices for listed and OTC companies"?	Yes		To establish a fair corporate governance system, the Company's Board of Directors has already approved of and implemented "Corporate Governance Best Practice Principles" on March 20, 2015.	No major deviations
II. Ownership structure and shareholders' equity of the company				
(I) Whether the company has established internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigation, and implement them under the procedures?	Yes		(I) The company has formulated the rules of procedure of the shareholders' meeting, established a spokesperson and acting spokesperson system under the regulations, and set up a special person to deal with investor relations and shareholder-related issues.	No major deviations
(II) Whether the company has a list of the major shareholders who control the company and the ultimate controllers of the major shareholders?	Yes		(II) It shall update regularly the list of principal shareholders of the company and the list of principal shareholders of the company.	No major deviations
(III) Does the company establish the relationship between firewall and risk control mechanism?	Yes		(III) It bases on the principle of mutual independence for all financial and business matters between the company and its affiliated companies. It formulates the operating procedures for the management of transactions between the parent company, and shall establish relevant management measures such as "operating procedures for transactions between the company and its affiliated persons, specific companies, and group companies".	No major deviations
(IV) Whether the company has internal regulations to prohibit insiders from trading securities by using unpublished information on the market?	Yes		(IV) The company has formulated the "Procedures for Ethical Management and Guidelines for Conduct" and the "Management Procedures to Prevent Insider Trading". Relevant internal personnel shall abide by the related laws and internal operation procedures, and shall not use the known unpublished information to engage in insider transactions or disclose it to others, to prevent others from using the unpublished information to engage in insider transactions.	No major deviations
III. Component and responsibilities of the board of directors				
(I) Does the board of directors formulate a diversified policy on the component of members and implement it?	Yes		(I) The board of directors actively considers candidates with diversified backgrounds and views from candidates with appropriate backgrounds, industry, or relevant knowledge and experience through a just, fair, and open director selection procedure. To enable the members of the board of directors to maintain an appropriate range and balance in terms of skills, experience, knowledge, and personality. Please refer to pages20 to page22 of the information of directors and supervisors in this annual report for the implementation of diversification by the relevant board of directors.	No major deviations

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(II) Does the company voluntarily set up other functional committees in addition to setting up a salary and Remuneration Committee and audit committee by law?		No	(II) The company will set up other function committees for the needs of practical operation in the future.	Explanation on the left (2) No major deviations
(III) Whether the company has formulated the performance evaluation measures and evaluation methods of the board of directors, conducted performance evaluation every year and regularly, and submitted the results of performance evaluation to the board of directors for reference to the salary and remuneration of independent directors and a nomination for renewal?	Yes		<p>(III) The board of directors adopted the "measures for self-evaluation or peer evaluation of the board of directors" on March 20, 2015, and the relevant evaluation shall be carried out every year under the measures. Currently, Board of Directors will conduct self-evaluation then receive anonymous evaluation from their peers at the end of the year, and results of which will be used toward performance review.</p> <p>The internal evaluation shall be carried out at the end of each year in accordance with this method. The performance evaluation of the Board of Directors of the Company shall be conducted in accordance with the current annual performance evaluation. Please refer to page 36-37 of the annual report on the operation of the Board of Directors. The evaluation shall be carried out by the Finance Department of the meeting unit and conducted by means of internal questionnaires. The results of the performance evaluation shall be used as a reference for the selection or nomination of directors. The Company completed the performance evaluation of the Board of Directors, the members of the Board of Directors and the Functional Committee in March 2023, and will report the results of the evaluation to the Board of Directors at its most recent meeting and the direction in which it will continue to strengthen in the coming year. This year's assessment score is between 4.56 points and 4.65 points, which is still good. Recommendations and improvements to the Board of Directors and the Functional Committee are as follows:</p> <p>(1) Board of Directors: The directors recommend a diversified curriculum beyond their respective professional abilities. The Company has arranged for directors to take six hours of continuing courses per year. After the election of new directors in 2023, an initial training system will be established for new directors to assist new directors in understanding the company's dynamics so as to facilitate the full exercise of their functions.</p> <p>(2) Remuneration Committee: The committee recommends early planning of the succession plan about senior managers succession and training plan, which will be formulated by the end of year 2023, and reported to the board of directors in year 2024 after the implementation.</p>	

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(IV) Does the company regularly evaluate the independence of certified public accountants?	Yes		<p>(IV) Each year, in accordance with Article 29 of the Listed Company Governance Code of Practice, the Company reports to the Board of Directors for assessment of the independence of accountants. The Finance Department of the Board of Directors first determines the content of the assessment on Article 47 of the Accountants Act and the Accountants' Code of Professional Ethics Gazette No. 10 as follows:</p> <ol style="list-style-type: none"> (1) As of the last visa application, it has not been replaced for seven years. (2) There is no significant financial interest in the client. (3) Avoid any inappropriate relationship with the client. (4) Accountants should ensure that their assistants are honest, impartial and independent. (5) The financial statements of the service institution within the two years prior to practice shall not be checked for visas. (6) The name of the accountant may not be used by others. (7) Not hold any shares in the Company or its affiliates. (8) No money and loans have been made to the Company or its affiliates. (9) No co-investment or benefit-sharing relationship with the Company or its affiliates. (10) No employed by the Company or affiliates with regular salary. (11) No involve in the management functions of the Company or affiliates to make decisions. (12) No involve in the businesses that may lose independence. (13) No relationship with the company's management personnel as spouses, direct blood relatives, direct blood relatives, or collateral blood relatives within the second degree. (14) No commissions were received in connection with the business. (15) So far, there has been no punishment or damage to the principle of independence. <p>Lo Hsiao-Chin, Hong Mao Yi and Chang Chih Ming, who were appointed by Ernst&Young Associates in the 2021 and 2022, all met the independence assessment standards of the Company and obtained the declaration of independence issued by Ernst&Young Associates, which was reported to the Board of Directors on February 25, 2022 and February 23, 2023, respectively, and are sufficient to serve as the Company's certified public accountants.</p>	No major deviations

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
IV. Does the company allocate a competent and appropriate number of corporate governance personnel and appoint a corporate governance director to be responsible for matters related to corporate governance (including but not limited to providing data required by directors and supervisors to carry out business, assisting directors and supervisors to comply with regulations, handling matters related to meetings of the board of directors and shareholders by law, making minutes of meetings of the board of directors and shareholders, etc.)?	Yes		<p>The Company, through the resolution of the Board of Directors on March 28, 2019, designated Wu Shu Yi of the Finance Department as an associate corporate governance officer to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Associate Manager Wu Shu Yi has a public releasing company with more than five years of experience in accounting, finance, and other management of public companies.</p> <ol style="list-style-type: none"> The main responsibilities are to provide the data required by Directors (including independent directors) and supervisors to carry out their business, assist directors (including independent directors) and supervisors to comply with regulations, and handle matters related to functional committees of the board of directors and shareholders' meetings by law. Please refer to the "operation of the board of directors", "operation of the audit committee" and "operation of the salary and Remuneration Committee" of this annual report for the implementation of 2022. Training of corporate governance directors in 2022: The corporate governance director has completed 12 hours of advanced study in 2022 and reported to the public information Observatory under the regulations. The course name is as follows: (1) Insider Trading from a Prosecution Perspective - 3 Hours (2) Trading Protection and Fraud Detection - 3 Hours (3) Corporate Financial Preparation Common Mistakes and Disciplined Internal Control Act Compliance Practices - 6 Hours 	No major deviations
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up stakeholder zones on the company's website, and properly respond to important corporate social responsibility issues concerned by stakeholders?	Yes		<p>The company respects the rights and interests of stakeholders, identifies the stakeholders of the company, understands their reasonable expectations and needs through appropriate communication methods and the participation of stakeholders, has set up a Chinese enterprise website to disclose the company's financial business and other relevant information in detail, and has also set up a special area for investors to disclose relevant information (www.greattree.com.tw/article-page/investor), And properly respond to the important corporate social responsibility issues concerned by stakeholders, and each department shall be responsible for the communication of stakeholders:</p> <p>(I) Shareholders and Investors</p> <ol style="list-style-type: none"> A Shareholders' Meeting is convened in each year and resolutions for proposals are achieved through vote one by one. Shareholders can also exercise their voting rights through electronic voting to fully participate in the 	No major deviations

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			<p>process of proposal resolution.</p> <p>2. Annual Report for the Shareholders' Meeting is prepared in each year, and Investor Conference is held from time to time in each year to report on Company operating status to facilitate in investors' decision-making.</p> <p>3. Revenues from the previous month is announced on the MOPS and the Company website on a monthly basis.</p> <p>(II) Employees Employee relations conference is held regularly, and store manager meeting is convened along with educational training in each month.</p> <p>(III) Customers and consumers Consumers can join the Company's membership to receive members' privileges and to immediately provide relevant feedback and opinions for revisions to store personnel while shopping. They can also provide concerns and feedback to the Company via customer service hotline.</p> <p>(IV) Suppliers The Company ensures that suppliers are in full compliance with national laws regarding human rights, environmental protection and food safety through visits and organizing supplier evaluation and review, and that suppliers do not use child labor or abnormal materials during production processing, thus helping to supervise and assist suppliers to strengthen compliance to various laws.</p>	
VI. Does the company appoint a professional stock affairs agency to handle the affairs of the shareholders' meeting?	Yes		The company has entrusted the stock Affairs Agency Department of Taishin Securities Co., Ltd. to handle stock affairs and shareholders' meeting affairs.	No major deviations
VII. Information disclosure				
(I) Does the company set up a website to disclose financial business and corporate governance information?	Yes		(I) The company has set up a website with a special area for investors. Shareholders and investors can inquire about the company's financial business and corporate governance. (http://www.greentree.com.tw/)	No major deviations
(II) Does the company implement other ways of information disclosure (such as setting up an English website, appointing a special person to be responsible for the collection and disclosure of the company's information, implementing the spokesman system, placing the company's website during the legal person briefing, etc.)?	Yes		(II) The company has set up an investor zone in English (http://www.greentree.com.tw/article-page/investor-en), and appointed a special person to be responsible for the collection and disclosure of the company's information, and update it in the investor zone promptly. The Company appointed Lu Shan Feng, Deputy General Manager, as the spokesperson, and Wu Shu Yi, Associate, as the acting spokespersons, to speak on behalf of the Company to ensure the timely and correct disclosure of external information. In case the Company organizes Investors Conference, any briefing or audio-visual information will be disclosed on the Investors section on the Company website.	No major deviations
(III) Does the company announce and report the financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second, and third quarters and the operation of each month before the		No		

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
specified time limit?			(III) The company is a retail channel industry. The company is unable to announce and report the financial report within two months after the end of the accounting year or before the specified time limit to cooperate with the time difference in the reply of financial information of each store due to the distribution of franchise stores all over the country, but it can complete the announcement within the reporting time limit required by regulations.	We will integrate the group's financial and accounting work and discuss the audit schedule with the CPAs.
VIII. Whether the company has other important information that is helpful to understanding the operation of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations, rights of interested parties, further education of directors and supervisors, implementation status of risk management policies and risk measurement standards, implementation status of customer policies, purchase of liability insurance for directors and supervisors, etc.)?	Yes		<p>(I) Employee Rights and Interests: the company shall handle under the regulation of the labor base law. Please refer to the labor relations chapter of Chapter V operation overview for relevant employee welfare measures, further training, and the retirement system.</p> <p>(II) Employee care: the Company is committed to providing a safe and healthy work environment for employees, and regularly organizes company-wide employee health checkups each year to protect the health and wellness of all employees.</p> <p>(III) Investor relations: the Company has also established a point of contact for investor relations to be responsible for information disclosure and maintenance of investor relations to enhance Company transparency in addition to disclosing Company operations or financial information on the MOPS under the law.</p> <p>(IV) Supplier relationship: the Company continues to promote "traceability management" and requires suppliers to provide inspection reports to guarantee that their products comply with relevant regulations.</p> <p>(V) Stakeholder Rights: the Company has set up online announcement procedures for public information announcements and has designated personnel to be responsible for the collection and disclosure of Company information to ensure that information that may affect shareholders' and stakeholders' decision-making can be disclosed on a timely and appropriate basis.</p> <p>(VI) Directors and supervisors: the Company's Directors and Supervisors are all equipped with relevant professional knowledge and have taken continuing studies courses under relevant regulations. Required hours of such studies have also been met. Please see "MOPS/Corporate Governance/Directors' and Supervisors' attendance of Board of directors meetings and continuing studies" for more details.</p> <p>(VII) Implementation situation of risk management policy and risk balance standards: each department of the Company will review each other from time to time and internal auditors will also conduct either scheduled audits or as needed. Finally, Directors' and Supervisors' reviews are also carried out. In other words, It adopts</p>	No major deviations

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			<p>layers of prevention and comprehensive risk control that involve everyone in the organization.</p> <p>(VIII) The implementation of consumer or customer protection policies: the Company actively collects customer feedback, analyzes customer needs, enhances service quality, and proposes suitable solutions, and customer satisfaction is incorporated into ISO standards to strengthen management, enhance efficiency and quality control, and at the same time, an inspection and follow-up mechanism have also established.</p> <p>(IX) Purchase of liability insurance for directors: The Company has purchased liability insurance for directors to strengthen the protection of shareholders' equity.</p>	

IX. Please explain the improvement of the corporate governance evaluation results released by the corporate governance center of Taiwan Stock Exchange Corporation in recent year, and put forward priority strengthening matters and measures for those that have not been improved.

The non-scored items and improvements in the ninth corporate governance evaluation (2022) of the company are as follows:

Type of indicator	Item without positive score	Whether improvement has been made	Explanation for improvements yet to come
I. Safeguarding shareholders' rights and interests and treating shareholders equally	1.1 Does the company report to the directors at the ordinary shareholders' meeting the remunerations, including the remuneration policy, individual remuneration content and amount?	No	
	1.15 Has the company formulated and disclosed on the company website internal regulations that prohibit insiders such as directors or employees from using unpublished information in the market to buy and sell securities, including (but not limited to) directors are not allowed 30 days before the announcement of the annual financial report, and every trading of its stocks during the closed period fifteen days before the quarterly financial report announcement, and explaining the implementation situation?	Yes	Management Procedures to Prevent Insider Trading and Ethical Management and Guidelines for Conduct have been established and disclosed on the Company's website.
II. Strengthen the structure and operation of the board of directors	2.3 Are the Chairman and the General Manager or any other person of equivalent title (top manager) of the Company, not the same person or spouse or direct relative of each other?	No	
	2.14 Whether the company has established non-statutory functional committees such as the nomination committee, risk management committee, or sustainable development committee, the number of which shall not be less than three, more than half of the members shall be	No	The Company has set up a Remuneration Committee in accordance with laws and set up an Audit Committee according to laws in 2020.

Items for evaluation		State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
		Yes	No	Summary	
		independent directors, and more than one member shall have the professional ability required by the committee, and disclose its composition, responsibilities and operations?			
		2.18 Does the Company regularly conduct internal performance evaluations of the functional committees (at least including the Audit Committee and the Remuneration Committee) on an annual basis and disclose the performance and results of the evaluations on the Company's website or annual reports?	Yes		
		2.22 Whether the company has risk management policies and procedures approved by the Board of Directors to disclose the scope of risk management, its organizational structure, and its operations, and reports to the Board of directors at least once a year?	No	Procedures have not yet been established.	
		2.23 Have the rules adopted by the company for assessing the performance of the Board of Directors been passed by the Board, with the express requirement that an external assessment is carried out at least once every three years, and has it furthermore carried out the assessment within the time limit under its rules, and disclosed the implementation status and assessment results on its website or in its annual report?	No	The results of the evaluation have not been disclosed on the company website or in the annual report.	
		2.27 Does the Company have an intellectual property management plan linked to its operational objectives and disclose performance on the Company's website or annual report and report to the Board of directors at least annually? 【If the Taiwan Intellectual Property Management System (TIPS), ISO 56005 or similar intellectual property management system standards are introduced and verified or verified by a third party, the total score is added. 】	No	No plans have been made.	
		2.30 Does at least one internal inspection person of the company possess certificates such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), or passed the CPA examination?	No	The Company's internal auditing personnel meet the requirements and qualifications for internal auditing personnel of a TWSE/TPEX company, but certification has not been obtained.	
III. Improving Information Transparency		3.2 Does the company release important information in English at the same time?	Yes		
		3.4 Does the Company publish an annual financial report audited by an accountant within two months of the end of the fiscal year?	Yes		
		3.8 Does the company voluntarily announce quarterly financial forecast report and relevant procedures have not had corrections from competent	No	The Company does not voluntarily provide financial forecast report.	

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			authority, and/or marked for deficiencies from the TWSE or TPEX?	
		No	3.14 Does the company's annual report disclose the link between the performance evaluation and remuneration of directors and managers?	
		No	3.21 Does the annual report of the company disclose the individual remuneration of the general manager and the vice manager?	
IV. Implement corporate social responsibility		No	4.1 Does the Company have a dedicated (part-time) unit to promote corporate social responsibility (CSR) that assessed the environmental, social, or corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies which supervised by board of directors and disclosed them on the Company's website and in the annual report?	The Company has yet to set up a CSR unit.
		No	4.2 Does the company set up a dedicated (part-time) unit to promote business integrity management, which is responsible for formulating and supervising the implementation of policies and preventive plans for business integrity, and explains the operation and implementation of the unit on the Company's website and annual report, and reports to the Board of Directors at least once a year?	The Company has yet to set up a CSR unit.
		No	4.5 Is the company's sustainability report certified by a third party?	The Company prepared the CSR report for 2021 voluntarily. However, the report has not been verified by a third-party yet.
		No	4.6 Does the company refer to international human rights conventions, formulate human rights protection policies and specific management plans, and disclose them on the company's website or annual report?	Currently, the Company does not have sufficient internal or external resources to achieve this goal.
		No	4.11 Does the company disclose annual greenhouse gas emissions, water consumption and total waste weight over the past two years? 【If the annual greenhouse gas emissions, water consumption or total waste weight in the past two years have been externally certified, the total score will be added by one point. 】	Currently, the Company does not have sufficient internal or external resources to disclose annual emissions of CO2 or other GHG.
		No	4.12 Does the company have a greenhouse gas reduction and water or other waste management policy, including reduction targets, promotion measures and achievement conditions?	Currently, the Company does not have sufficient internal or external resources to achieve this goal.
		No	4.13 Has the company received ISO 14001, ISO 50001 or similar environmental or energy management system certification?	Currently, the Company does not have sufficient internal or external resources to achieve this goal.
		No	4.17 Does the company's website, annual report or sustainability report disclose the supplier management policy formulated to require suppliers to comply with relevant standards on issues such as environmental protection, occupational safety and health or labor human rights, and explain the	Currently, the Company does not have sufficient internal or external resources to achieve this goal.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
			implementation situation?	
			4.18 Does the company disclose information on the governance, strategies, risk management, indicators and targets of climate-related risks and opportunities in accordance with the Climate-related Financial Disclosure Proposal (TCFD) framework?	No Currently, the Company does not have sufficient internal or external resources to achieve this goal.

(IV) Component, Duties, and Operation of the Remuneration Committee

1. Composition of the Remuneration Committee: The Board of Directors of the Company resolved on September 25, 2014 to establish the Remuneration Committee and adopted the organizational rules and the list of members of the first remuneration committee. At present, the third remuneration committee has three members, consisting of three independent directors, and elected Liu Tian Dao as the convener and chairman of the remuneration committee. Information on committee members is as follows:

Title (Note 1)	Conditions Name	Professional qualifications and experience (Note 2)	Independence situation (Note 3)	Number of other public companies where the individual concurrently serves as a member of the Remuneration Committee
Independent Director (convener)	Liu Tian Dao	Professional and technical personnel with working experience in business, academic, asset management, accounting, and finance, who have passed the national examination required by accountants and obtained certificates. Certified Public Accountant, Zhi-Dao Accounting Firm There are no issues under Article 30 of the company law.	Previously served as an independent director, meeting the conditions of independence, including but not limited to the fact that he, his spouse, and relatives within the second degree do not serve as directors, supervisors, or employees of the company or its affiliated companies. The number of shares of the company not held. Not serving as a director, supervisor, or employee of a company with a specific relationship with the company. No remuneration was received from providing business, legal, financial, accounting, and other services to the company or its affiliated companies in the past two years.	0
Independent Director	Guo Dai Huang	Working experience in academic and industrial knowledge required by the company. Certified doctor of pharmaceutical chemistry at CMU and professor of the Department of Pharmacy and Institute of Pharmacy and President of Tajen University There are no issues under Article 30 of the company law.	Previously served as an independent director, meeting the conditions of independence, including but not limited to the fact that he, his spouse, and relatives within the second degree do not serve as directors, supervisors, or employees of the company or its affiliated companies. The number of shares of the company held by myself, my spouse, and second-degree relatives (or in the name of others) is 58,725, accounting for 0.07% of the total issued shares. Not serving as a director, supervisor, or employee of a company with a specific relationship with the company. No remuneration was received from providing business, legal, financial, accounting, and other services to the company or its affiliated companies in the past two years.	0

Independent Director	Wang Hsing Wen	Professional and technical personnel who have working experience in business, law, and finance and have passed the national examination required by lawyers with certificates. Certified Chief Lawyer of Wang Hsing Wen Law Firm There are no issues under Article 30 of the company law.	Previously served as an independent director, meeting the conditions of independence, including but not limited to the fact that he, his spouse, and relatives within the second degree do not serve as directors, supervisors, or employees of the company or its affiliated companies. The number of shares of the company not held. Not serving as a director, supervisor, or employee of a company with a specific relationship with the company. No remuneration was received from providing business, legal, financial, accounting, and other services to the company or its affiliated companies in the past two years.	0
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2. Remuneration Committee Responsibilities: Pursuant to Article 7 of the Company's "Remuneration Committee Charter," the Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.

- (1) Formulate and regularly review the policies, systems, standards, and structures of performance evaluation and remuneration of directors, supervisors, and managers.
- (2) Regularly evaluate and fix the remuneration of directors, supervisors, and managers.

3. Operational Status of the Remuneration Committee

- (1) The Remuneration Committee of the company consists of three members.
- (2) Term of office of the current member: From June 17, 2020 to June 16, 2023, in recent year (2022) and 2023 as of the publication date of the financial report, the Remuneration Committee held four meetings and one meetings, respectively. Therefore, the Remuneration Committee held five meetings in recent year (A). The qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	Times of proxy attendance	Actual attendance rate (%) (B/A)	Remark
Convener	Liu Tian Dao	5	0	100.00%	Re-election, date: June 17, 2020
Member	Guo Dai Huang	5	0	100.00%	Newly Appointed, date: June 17, 2020
Member	Wang Hsing Wen	5	0	100.00%	Newly Appointed, date: June 17, 2020

Other required disclosure:

- I. If the Board of Directors chooses not to adopt suggestions proposed by the Remuneration Committee, the date of the Board meeting, session, contents discussed, resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail: None.
- II. Resolutions of the Remuneration Committee, if members have objections or reservations and there is a record or written statement, shall state the date, date, date, content of the proposal, the opinions of all members and the treatment of the opinions of the members: None.
- III. The Remuneration Committee shall exercise the due care of a good administrator and perform the following duties abide by its obligations and rights:
 1. Regularly review the Organizational Procedures and propose amendments.
 2. Establishing and regularly reviewing the annual and long-term performance targets and compensation policies, systems, standards and structures of the Directors, Supervisors, and managers of the Company.
 3. Regularly evaluating the performance targets of the Company's Directors, Supervisors and managers, and establishing the content and amount of their remuneration.

IV. The important resolutions of the Remuneration Committee are as follows:

1. Jan 20, 2022, the 6th meeting of the third Remuneration Committee
Proposal: (a) Reviewed the year-end performance bonus allocation plan for the Company's managers.
Resolution result: all the members of the Remuneration Committee passed the resolution without objection.
2. Feb 25, 2022, the 7th meeting of the third Remuneration Committee
Proposal: (a) the Company's 2021 Distribution Project of Remunerations for Employees, Directors, and Supervisors.
Resolution result: all the members of the Remuneration Committee passed the resolution without objection.
3. Nov 10, 2022, the 8th meeting of the third Remuneration Committee
Proposal: (a) the Company's 2021 remuneration distribution for directors and supervisors
(b) propose to amend the Company's First Employee Share Option and Subscription Act of 2022
Resolution result: all the members of the Remuneration Committee passed the resolution without objection.
4. Dec 15, 2022, the 9th meeting of the third Remuneration Committee
Proposal: (a) Reviewed the year-end performance bonus allocation plan for the Company's managers.
(b) Make a decision on the Company's "Measures for Remuneration Payment to Directors and Functional Members"
(c) Propose to amend the Company's "Measures for Employee Share Option and Subscription Act of the Year 2022"
(d) List of warrant holders and date of issue of employee warrants issued by the Company for the year 2022
Resolution result: all the members of the Remuneration Committee passed the resolution without objection.
5. Feb 23, 2023, the 10th meeting of the third Remuneration Committee
Proposal: (a) the Company's 2022 Distribution Project of Remunerations for Employees, Directors, and Supervisors.
Resolution result: all the members of the Remuneration Committee passed the resolution without objection.

(V) Implementation status of promoting sustainable development and differences with the "code of practice for sustainable development of listed and OTC companies" and reasons

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Summary	
I. Does the company establish a governance structure to promote sustainable development and sets up a full-time (Part-time) unit to promote sustainable development, which is handled by the senior management authorized by the board of directors and supervised by the board of directors?	Yes		In terms of functions by department, the Company's Administrative Department is involved in CSR tasks, and is responsible for coordinating and planning promotions of CSR such as donations and environmental protection tasks. Subsequently, relevant departments and units will carry out the relevant actions and report their implementation results to the Board of Directors from time to time.	No major deviations
II. Does the company conduct a risk assessment on environmental, social, and corporate governance issues related to the company's operation under the principle of materiality, and formulate relevant risk management policies or strategies?	Yes		In terms of functions by department, the Company's Administrative Department is involved in CSR tasks, and is responsible for coordinating and planning promotions of CSR such as donations and environmental protection tasks. Subsequently, relevant departments and units will carry out the relevant actions and report their implementation results to the Board of Directors from time to time. The company has formulated the "Corporate Social Responsibility Best Practice Principles" and has been revised as a "code of practice for sustainable development" by the board of directors on February 25, 2022, which emphasizes sincerity and honesty to actively practice sustainable development, comply with international development trends, promote economic, environmental and social progress, and achieve the goal of sustainable development of the enterprise. When pursuing the sustainable development and profitability, the Company takes into account environmental, social, and corporate governance factors and incorporates them into the management and operation. The management department is responsible to arrange every department to implement corporate governance, employee rights, environmental protection, and social engagement.	No major deviations

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Summary	
<p>III. Environmental issues</p> <p>(I) Does the company establish an appropriate environmental management system under its industrial characteristics?</p> <p>(II) Is the company committed to improving energy efficiency and using recycled materials with low impact on environmental load?</p> <p>(III) Does the company assess the potential risks and opportunities of climate change to enterprises now and in the future, and take relevant countermeasures?</p> <p>(IV) Does the company count the greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction, or other waste management?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>		<p>(I) The Company operates in the drugstore retail channel and does not have production processes which produce pollutants such as wastewater or gases. Hence, the Company's actions toward environmental protection are decent.</p> <p>(II) In response to paperless procedures, the Company has enhanced operational efficiency and continued to promote an online-based platform for its purchases. Systematic implementation has been adopted to replace paper-based documents between front and backend, and e-invoices have been promoted in various stores. Furthermore, the decoration materials, counters, and shelves of the company adopt environmental protection building materials with a green building materials logo and government certification, to reduce the harm of chemical synthetic materials and prevent secondary harm to the environment and human body.</p> <p>(III) The Company pays attention to and evaluates the risks and threats of climate change to present and future supply, and expects suppliers to provide substitutes or other new technologies in response.</p> <p>(IV) The main greenhouse gases produced in the Company's operation site are due to the use of lighting and air conditioning. The Company's policy is to require the store colleagues to adjust the opening and temperature of air conditioning in time, install variable frequency air conditioning devices and make good use of fans for energy conservation. In terms of lighting, T5 lamps are replaced in succession to reduce carbon emission. The purchase of relevant PP&E will be based on the purchase of environmental protection and energy conservation standards and other products, so as to reduce the impact of climate change on business activities.</p>	<p>No major deviations</p> <p>No major deviations</p> <p>No major deviations</p> <p>No major deviations</p>
<p>IV. Social issues</p> <p>(I) Does the company formulate relevant management policies and procedures under relevant regulations and international human rights conventions?</p>	<p>Yes</p>		<p>(I) The Company has established the "Employee Work Rules" and relevant HR Management Regulations pursuant to the Labor Standards Act. To protect employees' rights and to respect internationally-recognized basic labor and human rights, the Company has established appropriate management methods and procedures to avoid any occurrence of hazards which may infringe the basic rights of workers. In addition, the</p>	<p>No major deviations</p>

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Summary	
(II) Does the company formulate and implement reasonable employee welfare measures (including salary, vacation, and other benefits), and properly reflect the business performance or results in the employee salary?	Yes		Company's recruitment policy is based on the Act of Gender Equality in Employment and provides a work environment that is fair, equal, and free from discrimination or harassment to its workers. (II) The Company has established a performance appraisal method in the salary system, which evaluates the work performance of colleagues according to the Company's operation performance and management status, and adjusts the basic salary regularly according to the department's performance. In addition to adjusting the basic salary and individual performance bonus, the Company recruits and retains the professional talents needed by the Company, and improves the employees' coherence and sense of belonging to the Company. The Company also takes share bonus as a way to share business results with colleagues.	No major deviations
(III) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	Yes		(III) The Company regularly conducts employee health checkup to ensure employee health and well-being. According to the law and regulations of the labor safety, in order to prevent occupational injury, the Company has an overall planning for all safety items such as the inspection required by the occupational safety, and underwrite group insurance for employees, or strengthen the safety and health protection of employees.	No major deviations
(IV) Does the company establish an effective career competency development training project for employees?	Yes		(IV) In addition to the induction training for new employees, the Company implements various on-the-job training according to the department and job requirements. The Company has a complete set of education and training plan, and has complete training courses from new employees to store managers and franchised pharmacists, so as to improve the professional medical knowledge and quality of salespersons in the market.	No major deviations
(V) Does the company comply with relevant regulations and international standards on issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers or clients?	Yes		(V) The Company's marketing and labeling for products and services are in compliance with relevant laws and standards of the industry. The Company adopts membership system, and relevant consumer rights policies have been clearly stated on the membership application pamphlet, and contents of which are in compliance with legal regulations. In addition, promotional activities are also announced on the Company website and flyers. In case of consumer dispute, consumers can submit grievances to our toll-free hotline at 0800-678-222 and customer mailbox.	No major deviations
(VI) Does the company formulate supplier management policies to require suppliers to follow relevant norms and their implementation on environmental protection, occupational safety, and health or labor human rights?	Yes			No major deviations

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Summary	
			(VI) The Company's contracts with its major suppliers do not specifically include clauses to terminate the contract at any time should the supplier violate its CSR policy, and poses material influences on the environment and the society. Nevertheless, if such circumstances occur, the Company will choose never to carry out business transactions with suppliers who do not value CSR.	No major deviations
V. Does the company refer to the international reporting standards or guidelines to prepare Sustainability Reports and other reports that disclose the company's non-financial information? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	Yes		The Company has prepared its own corporate social responsibility report and disclosed information related to corporate social responsibility on the Company's website, but the report has not been verified by a third party unit.	No major deviations
VI. If the company has its own sustainable development code of practice in accordance with the Code of Practice for the Sustainable Development of Listed Companies, please explain the difference between its operation and the established code: The company has established the Code of Practice for Sustainable Development, and its operation and the established code should not have major derivatives.				
VII. Other important information helpful to understanding the implementation of promoting sustainable development:				
<p>1. Environmental protection: The Company operates as a medical/pharmaceutical products retail channel and does not have production processes; hence, the Company does not lead to environmental pollution.</p> <p>2. Community Participation, Social Contribution, Social Service and Social Welfare: The Company participates in various educational, public welfare and cultural activities through donating to social organizations to fulfill corporate social responsibility.</p> <ul style="list-style-type: none"> ➤ As affected by the COVID-19, many vulnerable groups are short of resources. Adhering to the spirit of social care and mutual assistance, the company specially provides relevant masks and materials to the children's home in the North District of the Health and Human Services, the Private Wilde Kite Edge Nursery in Taoyuan, the Private Muxiang Kindergarten in Taoyuan, the Christian Rehabilitation Fellowship Taoyuan Private Youth Home, the legal person of the consortium, the Taoyuan Tian Cheng Children's Home, the Taoyuan private Yu De Children's Home, the Private Taiwan International Children's village in Taiwan Province, the Taoyuan Lan Di foundation, the legal person of the consortium, is attached with Taoyuan Private Lan Di children's home and Taoyuan Lo Fu Social Welfare Foundation is attached with Taoyuan Private Lo Fu nursery. ➤ In 2022, the Company donated to the "China Medical University", "University of Science and Technology" and "Kaohsiung Medical University" and other colleges and universities of pharmacy, as a talent cultivation award program. ➤ In 2022, the Company donated to the Taoyuan Yuanqi youth volunteer association to help young friends hold various caring activities. ➤ In 2022, the Company donated to the Taishin Charity Foundation to help care for the disadvantaged. ➤ In 2022, the Company donated funds to Luzhu District of Taoyuan City to replace old equipment. ➤ In 2022, the pharmacists and their partners kept caring for the needs of local heads and went to Guanyin District from time to time to hold various health testing and drug safety publicity activities. ➤ During Baishatun Matsu's inspection tour in 2021, the shop partners spontaneously provided the devotees with drinking water and soreness relief supplies, as well as timely professional medical consultation and services. ➤ During each summer and winter break, internship program for Pharmacy majors from various colleges and universities is organized, building a seamless transition for students from internship, employment to entrepreneurship. 				

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and Reasons
	Yes	No	Summary	
<ul style="list-style-type: none"> ➤ Health seminars and mothers' workshops are organized in collaboration with suppliers in each year so that employees and consumers can both receive professional health care information. 3. The Company has a designated toll-free 0800 customer hotline in charge of receiving customer complaints. 4. Human Rights: The Company's employees receive equal treatments in all aspects including gender, religion, and political inclination. In addition, the Company also provides a fair work environment, ensuring employees are free from discrimination and harassment. 5. Safety and Health: The Company complies with labor safety and health laws from the government and carries out various health and safety tasks. Relevant details are established in the "Worker Safety and Health Work Rules." 				

(VI) Performance of good faith operation and differences with the code of good-faith operation of listed and OTC companies and reasons

Assessment Items	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," and Reasons
	Yes	No	Summary	
<p>I. Formulate ethicalness management policies and projects</p> <p>(I) Whether the company has formulated a good-faith operation policy approved by the board of directors and clearly stated the policies and practices of good faith operation in the rules and external documents, and the commitment of the board of directors and senior management to actively implement the operation policy?</p> <p>(II) Does the company establish an assessment mechanism for the risk of dishonest behavior, regularly analyze and evaluate the business activities with a high risk of dishonest behavior within its operation scope, and formulate a project to prevent dishonest behavior, which at least covers the preventive measures for the behaviors in paragraph II of Article VII of the code for the good-faith operation of listed and OTC companies?</p> <p>(III) Does the company specify the operating procedures, behavior guidelines, punishment, and appeal system for violations in the project for preventing dishonest behavior, implement it, and regularly review and amend the pre-disclosure project?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>		<p>(I) The Company's highest level of management sees ethical management as a guiding principle, and corporate management is carried out to maximize the greatest interest of shareholders and employees. The Company has established a set of "Procedures for Ethical Management and Guidelines for Conduct," which was approved by the Board of Directors and clearly states the ethical corporate management policy. The Human Resource Department is in charge of establishing and supervising the implementation of the ethical corporate management policy and preventive measures, and regularly reports to the Board of Directors.</p> <p>(II) The Company's work rules regulate that all employees shall conform to the company's good faith business policies and relevant regulations in the process of engaging in business activities, and expressly refused to directly or indirectly provide, promise, require or accept any improper interests in any form or name.</p> <p>(III) This is carried out under the Company's "Procedures for Ethical Management and Guidelines for Conduct." The Procedures also clearly states that the Company and its Directors, Supervisors, managerial officers and employees are banned from bribery and accepting bribes as well as prohibited from provision of illegal political contributions. The Company's work rules specifies that all employees are not allowed to have unethical conduct. In addition to regular audits conducted by internal auditors, employees may express their opinions or complaints with the HR or management directly.</p>	<p>No major deviations</p> <p>No major deviations</p> <p>No major deviations</p>
<p>II. Implement Ethical Management</p> <p>(I) Does the company evaluate the ethical record of the trading partner and specify the ethical behavior terms in the contract signed between the</p>	<p>Yes</p>		<p>(I) Before transacting with dealers, suppliers, customers, and other counterparties, the Company will take their legality and whether records of</p>	<p>No major deviations</p>

Assessment Items	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," and Reasons
	Yes	No	Summary	
company and the trading partner?			unethical conduct exist into consideration, and also includes ethical conduct as a contractual clause.	
(II) Has the company set up a dedicated (concurrent serving) unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation status of the ethical corporate management policies and prevention programs against unethical conduct?	Yes		(II) The Company has set up "Procedures for Ethical Management and Guidelines for Conduct" and designates the HR Department to be in charge of relevant procedures to ethical management including amendments, implementations, consultation, and educational training. Implementation results are regularly compiled and reported to the Board of Directors.	No major deviations
(III) Does the company formulate policies to prevent conflicts of interest, provide appropriate presentation channels, and implement them?	Yes		(III) The Company has established Employee Work Rules and prevents employees from using their work-related rights and opportunities to request monetary bribery or other inappropriate interests and unethical conduct. While transacting with stakeholders, terms and conditions of the transaction may not be better than transactions with other similar counterparties. The Company also provides fluent channels of communication, and employees can provide feedback to each level of the management and the HR department through various channels.	No major deviations
(IV) Has the company established an effective accounting system and internal control system for the implementation of good-faith operation, and the internal inspection unit formulates the relevant inspection project under the evaluation results of the risk of dishonest behavior, to check the compliance of the project to prevent dishonest behavior, or entrust an accountant to carry out the inspection?	Yes		(IV) The Company has established a rigorous accounting system and designated an accounting department. All financial statements are audited or reviewed by the CPA to ensure the fairness of financial statements. The amount of each transaction is submitted to a delegated level of authority for approval, complying with relevant laws and internal processing procedures.	No major deviations
(V) Does the company regularly hold internal and external education and training on ethical management?	Yes		(V) To promote and advocate for ethical conduct, the Company conducts educational training for "Ethical Corporate Management Principles" during monthly meetings, announcements, and departmental meetings, and relevant regulations have been uploaded to the Company website, allowing employees to access them at any time.	No major deviations
III. Operation of the company's reporting system				
(I) Does the company have a specific reporting and reward system, establish a	Yes		(I) The Company will give incentives to the whistleblower based on the	No major

Assessment Items	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," and Reasons
	Yes	No	Summary	
<p>convenient reporting channel, and assign appropriate special personnel to accept the reported object?</p> <p>(II) Whether the company has established the standard operating procedures for the investigation of complaints, the follow-up measures to be taken after the investigation, and the relevant confidentiality mechanism?</p> <p>(III) Does the company take measures to protect the informant from improper treatment due to reporting?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>		<p>materiality of the whistleblowing incident, and an independent whistleblowing mailbox and hotline have been set up within the Company. Employees may access designated departments to handle relevant tasks through multiple channels or to reflect or provide feedback to various levels of the management and HR department.</p> <p>(II) The Company will keep the whistleblowers' identity and contents of information confidential under the Company's "Procedures for Ethical Management and Guidelines for Conduct". A whistleblower shall at least furnish the following information:</p> <ol style="list-style-type: none"> 1. The name, ID card number and address, telephone number, and e-mail address of the informer. 2. The name of the informant or other data is sufficient to identify the identity of the informant. 3. Specific evidence for investigation. <p>(III) The Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p>	<p>deviations</p> <p>No major deviations</p> <p>No major deviations</p>
<p>IV. Strengthen information disclosure</p> <p>Does the company disclose the content and promotion effectiveness of its code of ethicalness on its website and public information Observatory?</p>	<p>Yes</p>		<p>(I) To build a corporate culture of ethical corporate management and to promote sound development, the "Procedures for Ethical Management and Guidelines for Conduct" have been approved by the Board of Directors and implemented. In addition, the Company discloses its information on the MOPS on a timely, open, and transparent basis.</p>	<p>No major deviations</p>
<p>V. If the Company has its own code of good faith in accordance with the Code of Business Conduct for Listed Companies, please explain the difference between its operation and the established code: The Company has formulated the Code of Business Conduct and Operating Procedures and Guidelines for Good Faith, and there should be no significant difference between its operation and the established code.</p>				
<p>VI. Other important information that can help us understand the operation of the company in good faith: (such as when the company reviews and revises its established business rules of good faith)</p>				

Assessment Items	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," and Reasons
	Yes	No	Summary	
<p>1. Comply with laws and ordinances of the public sector: The Company shall comply with the Company Act, Securities, and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/TPEX listing rules, or other regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.</p> <p>2. Fulfillment of Transaction Responsibility to Customers and Suppliers: the Company has always been grateful to customers and respects suppliers. All business transactions are carried out fairly and transparently, providing customers or suppliers with fair and reasonable benefits and results, thus creating synergistic growth.</p> <p>3. Fulfillment of business responsibility to shareholders in good faith: the Company treats shareholders with care and loyalty, fully discloses accurate information on a timely basis, and creates the greatest value for all shareholders through robust and sound management practices.</p> <p>4. Preventing any breach of good faith by directors, supervisors, managers or employees: the Company has established "Management Procedures to Prevent Insider Trading," "Rules of Procedure for Board of Directors Meetings," "Procedures for Ethical Management and Guidelines for Conduct," and "Codes of Ethical Conduct" on top of the internal control system. Furthermore, the Company also regularly conducts educational training and character and ethical evaluation for employees so that Directors, Supervisors, managers, or staff may faithfully carry out their obligations and prevent any direct or indirect provision, commitment, request, or acceptance of any form of inappropriate interests including rebates, commissions, facilitation fees, or provision or acceptance of undue benefits through other means from/to customers, dealers, contractors, suppliers, public officials or other stakeholders.</p>				

(VII) If the company has a corporate governance code and related regulations, it should disclose its inquiry method: please refer to the Public Information Observatory ([http://newmops.tse.com.tw/Corporate Governance](http://newmops.tse.com.tw/Corporate%20Governance)).

(VIII) Other important information sufficient to enhance the understanding of the operation status of Corporate Governance:

1. Internal Significant Information Processing Procedures: the Company has established "Management Procedures to Prevent Insider Trading," "Procedures for Ethical Management and Guidelines for Conduct," and "Codes of Ethical Conduct" as the principles that all the Company's Directors, Supervisors, managers, and employees shall comply with. These rules clearly state the laws, articles, and regulations that the Company's Directors, Supervisors, managers, and staff shall comply with, including laws on insider trading.

2. For inquiries, please refer to the Investor Relations section of the Company's website <https://www.greattree.com.tw/article-page/investor>

(IX) Implementation of internal control system

1. Internal control statement

Great Tree Pharmacy Co., Ltd.
Statement on Internal Control

Date: February 23, 2023

Regarding the internal control system of the Company from January 1, 2022 to December 31, 2022, based on the results of our self-evaluation, we hereby make the following statement:

- I. The company confirms that it is the responsibility of the board of directors and managers of the company to establish, implement and maintain the internal control system. The company has established this system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- II. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable guarantee for the achievement of the above three objectives. Moreover, the effectiveness of the internal control system may change accordingly due to the change in environment and situation. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The company judges the effectiveness of the design and implementation of the internal control system under the criteria for the establishment of internal control systems by public companies (hereinafter referred to as the "criteria"). The internal control system judgment items adopted by the "Handling Guidelines" are divided into five components according to the process of management control: 1. Control environment, 2. Risk assessment, 3. Control work, 4. Information and Communication, and 5. Supervision. Each constituent element includes a number of categories. Please see rules from the "Regulations" for details on the aforementioned categories.
- IV. The company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the evaluation results in the preceding paragraph, the company believes that the internal control system (including the supervision and management of subsidiaries) of the company as of December 31, 2022, including the understanding of the effect of operation and the degree of achievement of efficiency objectives, the reliability, timeliness, transparency of reports, compliance with relevant norms and relevant laws and regulations, and the design and implementation of relevant internal control systems are effective, which can reasonably ensure the achievement of the above objectives.
- VI. This statement will be the main content of the company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the board of directors of the company on February 23, 2023. None had an objection among the seven directors present. They all agreed with the contents of this statement and made a statement.

Great Tree Pharmacy Co., Ltd.

Chairman: (signed or sealed)

General Manager: (signed or sealed)

2. Those who entrust the accountant to review the internal control system should disclose the accountant's audit report: None.

(X) The company and its internal personnel have been punished by law for recent year and up to the printing date of the annual report, and the company has punished its internal personnel for violating the provisions of the internal control system, major deficiencies, and improvements: None.

(XI) Important resolutions of the shareholders' meeting and the board of directors in recent year and up to the printing date of the annual report:

1. Material resolutions from the Shareholders' Meeting and implementations:

Year	Name	Content of proposal	Resolution and status of implementation
2022.5.31	2022 Ordinary General Meeting of Shareholders	<p>I. Management Presentation</p> <p>(I) 2021 Annual Business Report.</p> <p>(II) 2021 Annual Audit Committee Audit Report.</p> <p>(III) 2021 Annual Employee Remuneration and Director Remuneration Distribution Report.</p> <p>(IV) 2021 Annual Earnings Distribution of Cash Dividend Report.</p> <p>II. Proposals</p> <p>(I) 2021 Annual Business Report and Financial Statement.</p> <p>(II) 2021 Appropriation of Net Income.</p> <p>III. Discussions</p> <p>(I) Proposal for a new share issue through capitalization of earnings.</p> <p>(II) Proposal on amending some provisions of the Company's "Procedures for the Acquisition or Disposal of Assets"</p> <p>(III) Proposal for private placement of ordinary shares and/or private placement of domestic unsecured convertible corporate bonds.</p>	<p>Proposal passed without dissent. Announced to the competent authority and disclosed to the public.</p> <p>Proposal passed without dissent. On May 31, 2022, the shareholders' meeting authorized the Chairman of the Board of Directors to set the ex-dividend base date as July 5, 2022, and July 21, 2022, as the cash dividend payment date, both of which have been implemented.</p> <p>The shares dividend of NT\$182,241,420 (about 257 shares allotted per one thousand shares) for the year 2021 was approved without objection. After being approved by the competent authority, it was directly transferred to the accounts of all shareholders by TDCC on September 14, 2022, and traded on the stock exchange on the same day.</p> <p>Proposal passed without dissent.</p> <p>Proposal passed without dissent. The Company's first domestic private placement of unsecured convertible bonds was raised for NT\$220,000 thousand, and the receipt of the outstanding amount was completed on September 15, 2022, and the issuance period</p>

			was from September 29, 2022 to September 29, 2025. The announcement has been declared and submitted to the authority.
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2. Significant matters resolved by the Board of Directors in 2022 and as of the date of publication of the Annual Report: The Company held a total of eleven meetings of the Board of Directors in 2022 and as of the date of publication of the Annual Report. The important matters resolved in the meetings are summarized as follows:

Year	Name	Material resolution	Resolution and status of implementation
2022.01.20	Third session 11th meeting	<ol style="list-style-type: none"> 1. Approved the proposal on the Company's 2022 annual budget. 2. Passed the proposal on applying for credit line of US\$10 million to CitiBank. 3. The resolution approved the proposal on year-end performance bonus allocation project for the Company's managers 4. It is resolved that the benchmark date for the issuance of share option certificates for common shares of the company be set. 	<ol style="list-style-type: none"> 1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent.
2022.02.25	Third session 12th Meeting	<ol style="list-style-type: none"> 1. Approved abolishing the branch company. 2. Approved the Company's proposed participation in Great Tree Pets Co., Ltd.'s capital increase. 3. Approved the Company to release the employee stock option certificate and stock subscription method in 2022 4. It is resolved that the benchmark date for the issuance of share option certificates for common shares of the company be set. 5. Approved the company intends to invest NT\$50,000 thousand to participate in the raising and establishment of Top Taiwan XIV Venture Capital Co., Ltd. 6. Approved the independence of the Company's CPA. 7. Approved the distribution of employee remuneration and director remuneration in 2021. 8. Approved the 2021 annual business report and financial statements. 9. Approved the Appropriation of Net Income in 2021. 10. Approved the Company's proposal for a new share release through capitalization of earnings. 11. Approved the Company's 2021 Statement of Internal Control. 12. Approved amending some articles of the company's "procedures for the acquisition or disposal of assets". 13. Approved amending some articles of the company's code of practice on corporate social responsibility. 14. Approved amending some articles of the company's code of practice on corporate governance. 15. Approved tasks related to calling the Annual Shareholders' Meeting 2022. 	<ol style="list-style-type: none"> 1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent. 5. When voting on this proposal, the interested parties (Representative of Top Taiwan XI Venture Capital Co., Ltd.: Shen Li Ping) shall leave the meeting first, and the rest of the directors present shall adopt it. 6. Proposal passed without dissent. 7. Proposal passed without dissent. 8. Proposal passed without dissent. 9. Proposal passed without dissent. 10. Proposal passed without dissent. 11. Proposal passed without dissent. 12. Proposal passed without dissent. 13. Proposal passed without dissent. 14. Proposal passed without dissent. 15. Proposal passed without dissent.
2022.04.06	Third session 13th	<ol style="list-style-type: none"> 1. The resolution approved the private placement of ordinary shares and/or private placement of domestic unsecured convertible corporate bonds. 2. The resolution approved the amendment to the agenda of the Company's 2022 ordinary shareholders' meeting 	<ol style="list-style-type: none"> 1. Proposal passed without dissent. 2. Proposal passed without dissent.

Year	Name	Material resolution	Resolution and status of implementation
		and the reasons for convening it.	
2022.05.12	Third session 14th	<ol style="list-style-type: none"> The resolution approved the company's consolidated financial statements for the first quarter of 2022. The resolution approved the amendment to the Partial Provisions of the Company's "Private Unsecured Convertible Corporate Bond Issuance and Conversion Measures (Provisional)". Through the resolution, the Company intends to directly invest NT\$20 million in a joint venture in Malaysia to establish Great Tree Malaysia Limited (working title). 	<ol style="list-style-type: none"> Proposal passed without dissent. Proposal passed without dissent. Proposal passed without dissent
2022.06.22	Third session 15th	<ol style="list-style-type: none"> The resolution approved the addition of the credit line of the Trust and Commercial Bank of China. The resolution approved to the proposal related to transfer of earnings to capital increase of the company. The resolution approved that the company intends to authorize the chairman to participate in land bidding cases handled by government. 	<ol style="list-style-type: none"> Proposal passed without dissent Proposal passed without dissent Proposal passed without dissent
2022.07.07	Third session 16th	<ol style="list-style-type: none"> The resolution approved that the company intends to issue the second domestic unsecured conversion of corporate bonds 	Proposal passed without dissent
2022.08.11	Third session 17th	<ol style="list-style-type: none"> The resolution approved the proposal on the Company's consolidated financial statements for the second quarter of 2022. The resolution approved the establishment of the company's greenhouse gas inventory and verification schedule plan. The resolution approved to change the location of the Kinmen branch office. 	<ol style="list-style-type: none"> Proposal passed without dissent Proposal passed without dissent Proposal passed without dissent
2022.09.06	Third session 18th	<ol style="list-style-type: none"> The resolution approved the company intends to handle the private placement of domestic unsecured convertible corporate bonds related matters 	Proposal passed without dissent
2022.11.10	Third session 19th	<ol style="list-style-type: none"> The resolution approved the proposal on the Company's consolidated financial statements for the third quarter of 2022. The resolution approved the company's 2021 annual remuneration distribution for directors. The resolution approved to formulate the "annual inspection project" of the company in 2023. The resolution approved to amend the Company's First Employee Share Option and Subscription Act of 2022. Approved the amendments to some of the articles in the Company's "Rules of Procedure for Shareholders' Meetings." The resolution approved the amendment of part of the "Rules of Procedure of the Board of Directors" of the Company. The resolution approved to amend the Company's "Internal Significant Information Processing Procedures". 	<ol style="list-style-type: none"> Proposal passed without dissent Proposal passed without dissent Proposal passed without dissent Proposal passed without dissent Proposal passed without dissent Proposal passed without dissent Proposal passed without dissent
2022.12.15	Third session 20th	<ol style="list-style-type: none"> The resolution approved the proposal on the Company's 2023 annual budget. The resolution approved the proposal on year-end performance bonus allocation project for the Company's managers 	<ol style="list-style-type: none"> Proposal passed without dissent When voting on this motion, interested parties (General Manager Cheng Ming Lung, Deputy General Manager Lu

Year	Name	Material resolution	Resolution and status of implementation
		<ol style="list-style-type: none"> 3. The resolution approved the "Measures for Remuneration of Directors and Functional Members" of the Company. 4. The resolution approved the revision of the Company's "Measures for Employee Share Option and Subscription Act of the Year 2022". 5. The resolution approved the list of warrant holders and date of issue of employee warrants issued by the Company for the year 2022 6. The resolution approved the establishment of Taichung Fe-A Mart Branch of Great Tree Pharmacy Co., Ltd. 	<p>Shan Feng and Associate of Finance Department Wu Shu Yi) are invited to leave first, and the above-mentioned motion is passed without objection after the chairman of the Personnel Officer acting as the chairman of the meeting of the case consults other directors present for opinions and after discussion.</p> <ol style="list-style-type: none"> 3. Proposal passed without dissent 4. Proposal passed without dissent 5. When voting on this motion, interested parties (General Manager Cheng Ming Lung, Deputy General Manager Lu Shan Feng and Associate of Finance Department Wu Shu Yi) are invited to leave first, and the above-mentioned motion is passed without objection after the chairman of the Personnel Officer acting as the chairman of the meeting of the case consults other directors present for opinions and after discussion. 6. Proposal passed without dissent
2023.02.23	Third session 21st	<ol style="list-style-type: none"> 1. The resolution approved the amendments to some of the articles in the Company's "Articles of Incorporation." 2. The resolution approved the Company's proposed participation in Great Tree Pets Co., Ltd. capital increase. 3. The resolution approved to replace the accountant of the company. 4. The resolution approved the independence of the Company's CPA. 5. The resolution approved the proposal of General Policy for Unconvincing Services of Ernst&Young and its Affiliates 6. The resolution approved the benchmark date for the issuance of share option certificates for common shares of the company be set. 7. The resolution approved the proposal on applying for credit line of US\$10 million to CitiBank 8. The resolution approved the distribution of employee remuneration and director remuneration in 2022 9. The resolution approved the 2022 annual business report and financial statements 10. The resolution approved the Appropriation of Net Income in 2022 11. The resolution approved the Company's proposal for a new share release through capitalization of earnings 12. The resolution approved the Company's 2022 Statement 	<ol style="list-style-type: none"> 1. Proposal passed without dissent 2. Proposal passed without dissent 3. Proposal passed without dissent 4. Proposal passed without dissent 5. Proposal passed without dissent 6. Proposal passed without dissent 7. Proposal passed without dissent 8. Proposal passed without dissent 9. Proposal passed without dissent 10. Proposal passed without dissent 11. Proposal passed without dissent 12. Proposal passed without dissent 13. Proposal passed without dissent 14. Proposal passed without dissent 15. Proposal passed without dissent 16. Proposal passed without dissent 17. Proposal passed without dissent 18. Proposal passed without dissent 19. Proposal passed without dissent 20. Proposal passed without dissent 21. Proposal passed without dissent

Year	Name	Material resolution	Resolution and status of implementation
		<p>of Internal Control</p> <p>13. The resolution approved to amend the Company's Code of Practice on Corporate Governance and the Code of Practice on Sustainable Development</p> <p>14. The resolution approved to the proposal of formulating the Company's "related party mutual financial business related regulations"</p> <p>15. The resolution approved to amend part of the "Measures for Preventing Insider Trading" of the Company</p> <p>16. The resolution approved to amend some articles of the company's "procedures for the acquisition or disposal of assets".Approved amending some articles of the company's "procedures for the acquisition or disposal of assets".</p> <p>17. The resolution approved the full re-election of directors</p> <p>18. The resolution approved to release the newly elected Director and their representatives from non-competition restriction</p> <p>19. The resolution approved the private placement of ordinary shares and/or private placement of domestic unsecured convertible corporate bonds</p> <p>20. The resolution approved the greenhouse gas inventory and verification schedule of the company's consolidated statement subsidiary</p> <p>21. The resolution approved tasks related to calling the Annual Shareholders' Meeting 2023.</p>	

(XII) For recent year and up to the printing date of the annual report, if the directors or supervisors have different opinions on the important resolutions adopted by the board of directors and have records or written statements, the main contents: None.

(XIII) A summary of resignations and dismissals of the Company's chairman, general manager, accounting manager, financial manager, chief internal auditor, or research and development officer during the most recent fiscal year and up to the date of publication of the Annual Report: None.

V. Information on professional fees for CPAs

Range of compensations for CPA professional fees

Name of accounting firm	Name of CPA		Auditing period	Remark
ERNST&YOUNG	Lo Hsiao-Chin	Mars Hong	2022	

Unit: in NT\$1,000's

Range of the amount		Category of fees	Audit fees	Non-audit fees	Total
1	Less than NT\$2,000,000		—	V	—
2	Between NT\$2,000,000 (inclusive) to NT\$4,000,000		V	—	V

- (I) In case non-auditing fees paid to CPA, accounting firm of CPA and its affiliates reaches one-fourth (1/4) of the auditing fees:

Information on professional fees for CPA

Unit: thousand NT\$

Name of accounting firm	Name of CPA	Auditing period	Audit fees	Non-audit fees	Total	Remarks
ERNST&YOUNG	Lo Hsiao-Chin	2023/01/01~2023/12/31	2,680	864	3,544	(Note)
	Mars Hong					

Note: non-inspection public expenses are NT\$404 thousand for industrial and commercial registration and NT\$460 thousand for tax visas under the service items.

- (II) Where the Company replaces the CPA and the auditing fees paid in the year of the replacement is less than that of the previous year: None.

- (III) Auditing fee is 15% or more less than the previous year: None.

VI. Information on replacement of CPAs: None.

VII. Where the Company's Chairman, General Manager, or managers from finance or accounting departments who have worked in the CPA's audit firm or its affiliate companies in the last fiscal year: None.

VIII. Conditions of share transfer and changes in equity pledge from the Directors, Supervisors, managers, and shareholders who hold more than 10% of shares, from the past year up to the date of publication of the Annual Report

(I) Changes status in equity transfer and pledge by directors, supervisors, managers, and major shareholders

Unit: shares

Title	Name	2022		2023 as at April 2	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Corporate director and major shareholder	Zhen Han Investment Co., Ltd (Note 1)	2,021,092	(1,795,000)	0	(1,000,000)
Representative of the Corporate Director and General Manager	Cheng Ming Lung (note 1)	355,068	0	0	0
Corporate Director	Top Taiwan XI Venture Capital Co., Ltd. (Note 2)	111,101	0	(110,000)	0
Representative of the Corporate Director	Shen Li Ping (note 2)	18,788	0	0	0
Director	Hung-Yi Chen (Note 3)	0	0	0	0
Directors and Deputy General Manager	Lu Shan Feng (Note 4)	263,375	0	0	(100,000)
Independent Director	Liu Tian Dao (Note 5)	0	0	0	0
Independent Director	Dai-Huang Kuo (Note 6)	12,006	0	0	0
Independent Director	Wang Hsing Wen (Note 7)	0	0	0	0
Assistant Manager at Finance Department	Wu Shu Yi	100,589	0	0	0
Major shareholder	Jun Wei Investment Co., Ltd. (Note 8)	2,389,536	0	(50,000)	0

Note 1: On June 17, 2020, Zhen Han Investment Co., Ltd. appointed its representative, Cheng Ming Lung, to be elected director, and Zhen Han Investment Co., Ltd. was the major shareholder of the Company holding more than 10% shares and was elected as the Chairman by the Board of Directors on November 10, 2020.

Note 2: Top Taiwan XI Venture Capital Co., Ltd. was elected as a corporate director on June 17, 2020, and designated natural person representative Shen Li Ping to exercise the duties.

Note 3: Chen Hong Yi was elected to be a director as a natural person at the regular meeting of shareholders on June 17, 2020.

Note 4: Lu Shan Feng was elected as a natural person at the shareholders' meeting in July 02, 2021.

Note 5: Liu Tian Dao was elected to be an independent director as a natural person at the regular meeting of shareholders on June 17, 2020.

Note 6: Guo Dai Huang was elected to be an independent director as a natural person at the regular meeting of shareholders on June 17, 2020.

Note 7: Wang Hsing Wen was elected to be an independent director as a natural person at the regular meeting of shareholders on June 17, 2020.

Note 8: Jun Wei Investment Co., Ltd., as the majority shareholder holding 10% or more of the shares of the Company, resigned as a director and chairman on November 9, 2020.

(II) Information on equity transfer and related parties: None.

(III) Information on equity pledge and related parties: None.

IX. Information about the relationship between the top 10 shareholders who are related persons, spouses, or relatives within the second degree

April 2, 2023 (date of cessation of transfer)

Name (Note 1)	Shares held by him/her		Shares held by spouse and minor children		Shares held in others' names		Shares held in others' names	Names and relationships of top ten substantial shareholders who have spousal relationship, or familial relationship within the second degree of kinship, with each other. (Note 3)	Remark
	Shareholding	Shareholding Ratio	Shareholding	Shareholding Ratio	Shareholding	Shareholding Ratio	Name (OR NAME)	Relations	
Jun Wei Investment Co., Ltd.	11,857,440	13.19%	-	-	-	-	Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Person in charge of Hao Cheng is a brother of the person in charge of Jun Wei Second degree of kinship with the person in charge of Jun Wei	-
Jun Wei Investment Co., Ltd. Representative: Liu Yu Teng	290,990	0.32%	-	-	-	-	Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Person in charge of Hao Cheng is a brother of the person in charge of Jun Wei Second degree of kinship with the person in charge of Jun Wei	-
Zhen Han Investment Co., Ltd.	9,885,264	10.99%	-	-	-	-	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang Ri-Long Investment Co, Ltd	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd. Person in charge is the same Second degree of kinship with the person in charge of Zhen Han Investment Co., Ltd. The person in charge of the investment from Ri-Long Investment Co, Ltd is the spouse of the person in charge of the investment from Zhen Han Investment Co., Ltd.	-
Zhen Han Investment Co., Ltd. Representative: Cheng Ming Lung	2,314,867	2.57%	-	-	6,897,715	7.67%	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd. Person in charge is the same Second degree of kinship with the person in charge	-

								Ri-Long Investment Co, Ltd	of Zhen Han Investment Co., Ltd. The person in charge of the investment from Ri-Long Investment Co, Ltd is the spouse of the person in charge of the investment from Zhen Han Investment Co., Ltd.	
Hao Cheng Investments Co., Ltd.	6,897,715	7.67%	-	-	-	-		Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd Liu Shu Liang	Person in charge of Jun Wei is a brother of the person in charge of Hao Cheng Person in charge is the same Second degree of kinship with the person in charge of Hao Cheng Investments Co., Ltd.	-
								Ri-Long Investment Co, Ltd	The person in charge of the investment from Ri-Long Investment Co, Ltd is the spouse of the person in charge of the investment from Hao Cheng Investment Co., Ltd.	
Hao Cheng Investment Co., Ltd. Representative: Cheng Ming Lung	2,314,867	2.57%	-	-	6,897,715	7.67%		Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd Liu Shu Liang	Person in charge of Jun Wei is a brother of the person in charge of Hao Cheng Person in charge is the same Second degree of kinship with the person in charge of Hao Cheng Investments Co., Ltd.	-
								Ri-Long Investment Co, Ltd	The person in charge of the investment from Ri-Long Investment Co, Ltd is the spouse of the person in charge of the investment from Hao Cheng Investment Co., Ltd.	
Feastogether Group	5,161,254	5.74%	-	-	-	-			-	-
Representative of Feastogether Group: Chen Qi Chang	92,799	0.10%	-	-	-	-			-	-
Ri-Long Investment Co, Ltd	2,504,686	2.79%	-	-	-	-		Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd.	Person in charge of Zhen Han and Hao Cheng is the spouse of the person in charge of Ri-Long	-
Ri-Long Investment Co, Ltd Representative: Chia-Ling Chan	-	-	2,314,867	2.57%	-	-		Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd.	Person in charge of Zhen Han and Hao Cheng is the spouse of the person in charge of Ri-Long	
Cheng Ming Lung	2,314,867	2.57%	-	-	6,897,715	7.67%		Jun Wei Investment Co., Ltd.	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd.	-

							Zhen Han Investment Co., Ltd	Person in charge of the company	
							Hao Cheng Investments Co., Ltd.	Person in charge of the company	
							Ri-Long Investment Co, Ltd	Spouse of person in charge of Ri-Long Investment Co, Ltd	
Liu Shu Liang	1,443,579	1.61%	-	-	-	-	Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd. Ri-Long Investment Co, Ltd	Second degree of kinship with the person in charge of the company	-
New labor pension fund	1,313,264	1.46%	-	-	-	-	-	-	-
Chuan Hsiang Tang Co., Ltd.	1,002,281	1.11%	-	-	-	-	-	-	-
Representative of Chuan Hsiang Tang Co., Ltd.: Chen Qi Chang	92,799	0.10%	-	-	-	-	-	-	-
HSBC custody Morgan Stanley International Limited special account	920,412	1.02%	-	-	-	-	-	-	-

Note 1: All the top 10 substantial shareholders shall be listed. For juristic person shareholders, their names and the name of their representatives shall be listed separately.

Note 2: Calculation of shareholding ratio is calculated by shares held by the person, by spouse, by minor children, or under others' names.

Note 3: Relationships between the aforementioned shareholders, including juristic person shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

X. The number of shares held by the company, its directors, supervisors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested business shall combine to calculate the comprehensive shareholding ratio

March 31, 2023 unit: share; %

Reinvestment business (Note)	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Ownership	
	Shareholding	Shareholding ratio (%)	Shareholding	Shareholding ratio (%)	Shareholding	Shareholding ratio (%)
Ivy Biotechnology Co., Ltd.	5,900,000	100.00	0	0.00	5,900,000	100.00
Bai-Lin Logistics Co., Ltd.	200,000	100.00	0	0.00	200,000	100.00
Great Tree Pets Co., Ltd.	9,000,000	100.00	0	0.00	9,000,000	100.00
Da Yu Property Management Co., Ltd.	3,600,000	60.00	0	0.00	3,600,000	60.00
GREAT TREE INTERNATIONAL SDN. BHD.	1,500,000	75.00	0	0.00	1,500,000	75.00

Note: Invested by the Company using the equity method.

Chapter 4 Fundraising Situation

I. Capital and shares

(I) Sources of Share Capital

1. Sources of Share Capital

April 2, 2023 (unit: share; NT\$)

Month, Year	Issued price	Authorized capital		Paid-in capital		Sources of Share Capital	Remark	
		Shareholding	Amount	Shareholding	Amount		Capital increased by assets other than cash	Others
2001.05	10	300,000	3,000,000	300,000	3,000,000	Capital shares at establishment NT\$3,000,000	None	Approved by Letter No. 09032174140 on May 15, 2001
2008.02	10	2,300,000	23,000,000	2,300,000	23,000,000	Cash capital increase NT\$20,000,000	None	Approved by Letter No. 09731695960 on February 4, 2008
2009.01	10	5,000,000	50,000,000	5,000,000	50,000,000	Cash capital increase NT\$27,000,000	None	Approved by Letter No. 09831529450 on January 8, 2009
2010.06	10	7,000,000	70,000,000	7,000,000	70,000,000	Cash capital increase NT\$20,000,000	None	Approved by Letter No. 09932191050 on June 18, 2010
2012.07	10	30,000,000	300,000,000	12,600,000	126,000,000	Cash capital increase NT\$56,000,000	None	Approved by Letter No. 10132319370 on July 30, 2012
2012.11	10	30,000,000	300,000,000	15,000,000	150,000,000	Cash capital increase NT\$24,000,000	None	Approved by Letter No. 10132667050 on November 1, 2012
2013.12	15	30,000,000	300,000,000	18,200,000	182,000,000	Cash capital increase NT\$32,000,000	None	Approved by Letter No. 10234173460 on December 31, 2013
2014.02	52	30,000,000	300,000,000	21,000,000	210,000,000	Cash capital increase NT\$28,000,000	None	Approved by Letter No. 10333130600 on February 26, 2014
2015.09	10	60,000,000	600,000,000	23,100,000	231,000,000	Capital increase by reinvestment of surplus NT\$21,000,000	None	Approved by Letter No. 10433751990 on September 21, 2015
2016.04	70	60,000,000	600,000,000	25,260,000	252,600,000	Cash capital increase NT\$21,600,000	None	Approved by Letter No. 10533399230 on April 13, 2016
2016.09	10	60,000,000	600,000,000	26,523,000	265,230,000	Capital increase by reinvestment of surplus NT\$12,630,000	None	Approved by Letter No. 10590810030 on September 29, 2016
2017.09	10	60,000,000	600,000,000	30,501,450	305,014,500	Capital increase by reinvestment of surplus NT\$39,784,500	None	Approved by Letter No. 10690989610 on September 12, 2017
2018.07	62	60,000,000	600,000,000	33,501,450	335,014,500	Cash capital increase NT\$30,000,000	None	Approved by Letter No. 10790931690 on July 25, 2018
2018.09	10	60,000,000	600,000,000	36,551,595	365,515,950	Capital increase by reinvestment of surplus NT\$30,501,450	None	Approved by Letter No. 10790998180 on September 18, 2018
2019.09	10	60,000,000	600,000,000	41,303,302	413,033,020	Capital increase by reinvestment of surplus NT\$47,517,070	None	Approved by Letter No. 10891021810 on September 10, 2019
2019.11	10	60,000,000	600,000,000	42,582,027	425,820,270	Conversion of warrants NT\$3,560,000 Conversion of convertible corporate bonds: NT\$9,227,250	None	Approved by Letter No. 10891110400 on November 27, 2019
2020.01	10	60,000,000	600,000,000	43,227,100	432,271,000	Conversion of convertible corporate bonds: NT\$6,450,730	None	Approved by Letter No. 10990727500 on January 30, 2020
2020.05	10	60,000,000	600,000,000	43,544,606	435,446,060	Convertible corporate bond	None	Approved by Letter No.

Month, Year	Issued price	Authorized capital		Paid-in capital		Remark		
		Shareholding	Amount	Shareholding	Amount	Sources of Share Capital	Capital increased by assets other than cash	Others
						conversion NT\$3,175,060		10990871460 on May 21, 2020
2020.10	10	60,000,000	600,000,000	52,080,091	520,800,910	Capital increase by reinvestment of surplus NT\$78,271,670 Conversion of convertible corporate bonds: NT\$7,083,180	None	Approved by Letter No. 10901185160 on October 13, 2020
2020.12	10	60,000,000	600,000,000	53,065,886	530,658,860	Convertible corporate bond conversion NT\$9,857,950	None	Approved by Letter No. 10901222230 on December 10, 2020
2021.03	10	60,000,000	600,000,000	53,344,593	533,445,930	Convertible corporate bond conversion NT\$2,787,070	None	Approved by Letter No. 11001031590 on March 10, 2021
2021.06	10	60,000,000	600,000,000	54,001,676	540,016,760	Convertible corporate bond conversion NT\$6,570,830	None	Approved by Letter No. 11001093560 letter on June 16, 2021
2021.09	10	150,000,000	1,500,000,000	70,043,059	700,430,590	Capital increase by reinvestment of surplus NT\$160,413,830	None	Approved by the Letter No. 11001170980 on September 23, 2021
2022.02	10	150,000,000	1,500,000,000	70,711,059	707,110,590	Conversion of warrants 6,680 thousand	None	Approved by the Letter No. 11101017040 letter on February 16, 2022
2022.06	10	150,000,000	1,500,000,000	70,911,059	709,110,590	Conversion of warrants 2,000 thousand	None	Approved by the Letter No. 11101096430 letter on June 8, 2022
2022.08	10	150,000,000	1,500,000,000	89,135,201	891,352,010	Capital increase by reinvestment of surplus NT\$182,241,420	None	Approved by the Letter No. 11101159540 letter on August 23, 2022
2023.03	10	150,000,000	1,500,000,000	89,849,201	898,492,010	Conversion of warrants NT\$7,140,000	None	Approved by the Letter No. 11230042890 letter on March 23, 2023
2023.03	10	150,000,000	1,500,000,000	89,918,455	899,184,550	Conversion of warrants NT\$686,000 Conversion of convertible corporate bonds: NT\$6,540	None	Note 1

Note: the month and year indicated in this table are based on the time when authorization is granted from the Ministry of Economic Affairs.

Note1: From January 1, 2023 to March 31, 2023 the company issued 68,600 shares due to the exercise of employee stock option certificates and applied for convertible corporate bonds to convert 654 ordinary shares. The benchmark date for capital increase and new share issuance will be set at the latest meeting of the board of directors. Then apply to the Ministry of Economic Affairs for change registration.

2. Types of shares issued

April 2, 2023 (unit: share)

Shares Type	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	Total shares on the TPEX		150,000,000	-
	89,918,455			

Note: marketable securities issued by shelf registration system as authorized: None.

(II) Shareholder structure

April 2, 2023 (date of cessation of transfer)

Shareholder structure \ Quantity	Government institution	Financial institution	Other legal persons	Individuals	Foreign Institutions and others	Total
Number of persons	4	29	37	12,651	135	12,856
Shares Held	2,092,667	1,867,579	38,460,633	36,941,121	10,556,455	89,918,455
Shareholding ratio (%)	2.33	2.08	42.77	41.08	11.74	100.00

Note: TWSE/TPEX listed companies should disclose its ratio of investments from Mainland China; investments from Mainland China refer to people, judicial persons, groups, other institutions, or companies investing via another region from Mainland China who invests in Taiwan pursuant to the Article 3 in "Rules of Investment in Taiwan from Persons from Mainland China."

(III) Equity dispersion status

April 2, 2023 (date of cessation of transfer)

Class of shareholding	Number of shareholders	Shares Held	Shareholding ratio (%)
1 to 999	8,488	1,360,012	1.51%
1,000 to 5,000	3,286	6,308,228	7.02%
5,001 to 10,000	460	3,248,548	3.61%
10,001 to 15,000	184	2,228,266	2.48%
15,001 to 20,000	96	1,686,831	1.88%
20,001 to 30,000	88	2,135,483	2.37%
30,001 to 40,000	56	1,978,102	2.20%
40,001 to 50,000	35	1,553,511	1.73%
50,001 to 100,000	67	4,703,548	5.23%
100,001 to 200,000	46	6,549,475	7.28%
200,001 to 400,000	27	7,778,093	8.65%
400,001 to 600,000	11	5,272,997	5.86%
600,001 to 800,000	0	0	0.00%
800,001 to 1,000,000	3	2,735,011	3.04%
1,000,001 to 999,999,999	9	42,380,350	47.13%
Total	12,856	89,918,455	100.00%

(IV) List of major shareholders

April 2, 2023 (date of cessation of transfer)

Name of substantial shareholder	Shares	Number of shares held (shares)	Shareholding ratio (%)
Jun Wei Investment Co., Ltd.		11,857,440	13.19
Zhen Han Investment Co., Ltd.		9,885,264	10.99
Hao Cheng Investment Co., Ltd.		6,897,715	7.67
Feastgether Group Co., Ltd.		5,161,254	5.74
Ri-Long Investment Co, Ltd		2,504,686	2.79
Cheng Ming Lung		2,314,867	2.57
Liu Shu Liang		1,443,579	1.61
New labor pension fund		1,313,264	1.46
Chuan Hsiang Tang Co., Ltd.		1,002,281	1.11
HSBC custody Morgan Stanley International Limited special account		920,412	1.02

(V) Market price per share, net value, net income, dividend, and other relevant information in the past two years up to the date of publication of the Annual Report

Item		Year	2021	2022	As at March 31, 2023 (Note 8)
		Market price per share (Note 1)	Highest		345.00
Lowest			91.07	197.00	294.50
Average			201.3	289.03	340.01
Net Worth per Share	Before distribution		27.32	28.94	-
	After distribution (Note 2)		24.74	(Note 9)	-
Market price per share	Weighted Average Shares (thousand shares)		87,866	89,145	-
	Market price per share	Before adjustment	5.83	7.85	-
		After adjustment (Note 3)	4.64	(Note 9)	-
Dividends Per Share	Cash dividends		2.57	4.70(Note 9)	-
	Stock grant	Dividend from surplus	2.57	2.30(Note 9)	-
		Dividend for paid-in capital	-	(Note 9)	-
	Accumulated dividend not paid out (note 4)		-	-	-
Return on Investments	Price-to-earnings ratio (Note 5)		34.53	36.82	-
	Price/dividend ratio (Note 6)		78.33	61.50	-
	Cash dividend yield (Note 7)		1.28%	1.63%	-

* In case dividend is distributed from reinvestment of surplus or paid-in capital, the retroactive adjustment of shares based on the distributions and cash dividends should be disclosed.

Note 1: the annual maximum and minimum market value of common stock. The annual average market value is calculated based on each year's transaction value and quantity.

Note 2: Please fill this column based on the number of shares issued by the end of the year and distributions as approved by the Shareholders' Meeting in the following year.

Note 3: In case stock dividends or other conditions require retroactive adjustments, the EPS before and after adjustments should be included.

Note 4: If the conditions of equity securities issuance allow unpaid dividends to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

Note 5: P/E Ratio = Average closing price for each share in the year/earnings per share

Note 6: Price/Dividend ratio = Average closing price per share of the year/Cash dividends per share

Note 7: Cash dividend yield = cash dividend per share/current year average per share closing price.

Note 8: the per-share net value and earnings per share should be filled up to the quarter nearest to the date of the printing of the annual report to be audited by accountant; the remaining column should be filled with the annual data up to the date of publication of the annual report.

Note 9: The earnings allocation project of the Company was passed by the Board of Directors on Feb. 23, 2023, and it is to be passed by the resolution of the shareholders' meeting to be held on May 31, 2023.

(VI) Dividend policy and implementation of the company

1. Dividend policy stipulated in the articles of the Association

If the Company turns a profit for the fiscal year, an amount no less than 3% to 10% of the profit should be appropriated as employees' bonus and no more than 5% of the profit should be appropriated as Directors' compensation. However, if the Company still records a cumulative loss, its profit shall first be used to make up the loss. The counterparty to whom stocks or cash are distributed to as employee's compensation in the preceding paragraph includes the employees of its subordinate companies that meet certain criteria.

The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the Board of Directors and approved by the Shareholders' Meeting.

Where the aforementioned dividends and bonuses are distributed entirely or partially in cash, the Board of Directors shall be authorized to determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors and report to the Shareholders' Meeting, and the provisions requiring a resolution of the shareholders' meeting is not applicable.

To respond to economic changes and to strengthen the Company's financial structure, the Company has adopted a balanced dividend policy. The policy for future dividend distribution is as follows:

- (1) The Company will appropriate no less than 10% of the aforementioned distributable net income as shareholders' dividends. Nevertheless, when distributable net income is less than 10% of the paid-in capital, the Company may propose not to appropriate any bonus.
- (2) In consideration of a balanced and stable dividend policy, the Company will appropriate either share or cash dividends according to the needs of funds and the degree of dilution to earnings per share. Appropriations of cash dividend shall be no less than 10% of the annual total dividends.

2. The proposed dividend distribution for the current year (2022)

The earning distribution for 2022 was approved by the Board of Directors on Feb 23, 2023, but not yet approved by the regular meeting of shareholders in 2023. The distribution of annual earnings of the Board of Directors is listed as follows:

Unit: NT\$	
Item	Amount
Beginning retained earnings	\$463,843
Add: other comprehensive income (remeasurements of defined benefit project in 2022)	1,160,884
Add: 2022 after-tax net income	700,070,675
Less: appropriation of legal capital reserve	(70,123,156)
Less: appropriation of special surplus reserve	(1,371,791)
Income available for distribution for this period	630,200,455
Allocations:	
Share dividends- cash (approximately NT\$4.70 per share)	(422,522,017)
Share dividends- shares (approximately NT\$2.30 per share)	(206,766,090)
	(629,288,107)
Ending retained earnings	\$912,348

3. Description of significant changes in expected dividend policy: None.

(VII) Effect of free allotment of shares proposed in this year (2022) on the Company's business performance and earnings per share: Not applicable.

(VIII) Remuneration for employees and directors

1. The percentages or ranges concerning an employee, director, and supervisor compensation, as outlined in the company's Articles of Incorporation:

If the Company turns a profit for the fiscal year, an amount no less than 3% to 10% of the profit should be appropriated as employees' bonus and no more than 5% of the profit should be appropriated as Directors' compensation. However, if the Company still records a cumulative loss, its profit shall first be used to make up the loss.

The counterparty to whom stocks or cash are distributed to as employee's compensation in the preceding paragraph includes the employees of its subordinate companies that meet certain criteria.

2. The basis for the valuation of the amount of remuneration of employees, directors, and supervisors, the basis for the calculation of the number of shares of employee remuneration distributed by shares, and the accounting treatment of the actual distribution amount if there is any difference from the Valuation:

If the Company turns a profit for the fiscal year, an amount no less than 3% to 10% of the profit should be appropriated as employees' bonus and no more than 5% of the profit should be appropriated as Directors' compensation. Discrepancy between the actual amount distributed and the estimated figures will be listed as income/ (loss) for the following year.

3. Information on any approval by the Board of Directors of distribution of compensation:

- (1) The amount of any employee compensation distributed in cash and compensation for directors and supervisors. If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:

From the after-tax earnings of the year of 2022, the Company set aside 3% for the remunerations of employees and 0.57% for the remunerations of directors under the articles of association. Employee bonus is estimated at NT\$26,697 thousand, while Directors' and Supervisors' bonus is estimated at NT\$5,072 thousand. There is no material discrepancy between the estimates and the proposed distributions approved by the Board of Directors.

- (2) Distribution of employee remuneration by stock and proportion to the total after-tax net income and total employee remuneration for the current period: The Company only allocates employee cash remuneration, so it is not applicable.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the listed employee, director compensation, additionally the discrepancy, cause, and how it is treated:

In 2021, the allocated remunerations of employees were NT\$15,357 thousand, the remunerations of directors were NT\$4,556 thousand, and the actual allocation was not significantly different from the distribution amount dissolved by the Board of Directors.

(IX) The company bought back its shares: None.

II. Handling of corporate bonds:

(I) Handling of corporate bonds

Types of corporate bonds (Note 2)		Second domestic unsecured bond	First domestic private placement of unsecured corporate bonds
Date of issuance		September 12, 2022	September 29, 2022
Nominal value		NT\$100,000	NT\$100,000
Place of issuance and transaction (Note 3)		Domestic	Domestic
Issued price		Issued at 104.21% of par value	Issued at 100% of par value
Total		NT\$1,042,088 thousand	NT\$220,000 thousand
Interest		Coupon Rate 0%	Coupon Rate 0%
Duration		3 years, maturing on September 12, 2025	3 years, maturity on September 29, 2025
Guarantee agency		Not applicable	Not applicable
Trustee		CTBC Bank Co., Ltd.	None
Underwriter		President Securities Co., Ltd.	None
Attorney		Charles Ya-Wen Chiu, Handsome Attorneys-at-Law	None
CPA		ERNST&YOUNG Accountants: Lo Hsiao-Chin, Hong Mao Yi	None
Method of redemption		The Company shall repay the convertible corporate bonds held by the holders of the convertible corporate bonds at par value in one lump sum in cash within 10 business days from the day after the maturity of the convertible corporate bonds, except for the conversion of the convertible corporate bonds by the Bondholders into common shares of the Company in accordance with Article 10 of this regulation, and the early redemption by the Company, or cancellation by purchase from the Taipei Exchange in accordance with Article 18 of this regulation.	Unless converted or redeemed according to the conversion method, the bond shall be repaid in a lump sum in cash at maturity according to the face value of the bond.
Principal outstanding		NT\$999,800 thousand	NT\$220,000 thousand
Terms of redemption or prepayment		Please see Articles 18-19 on the Company's "Convertible Bond Issuance and Conversion Method"	Please see Articles 10 on the Company's "Convertible Bond Issuance and Conversion Method"
Restrictive covenants (Note 4)		None	None
Name of credit rating agency, date of rating, and result of corporate bond rating		Not applicable	Not applicable
Other rights	Amount of ordinary shares, overseas depository receipts, or other securities converted (exchanged or subscribed) as of the printing date of the annual report	As of March 31, 2023, the Company had completed the conversion of 2 bonds, each with a face value of NT\$100,000, and the conversion amount of bonds was NT\$200thousand, accumulating in the conversion of 654 ordinary shares.	As of March 31, 2023, the Company had completed the conversion of 0 bonds, each with a face value of NT\$100,000, and the conversion amount of bonds was NT\$0, accumulating in the conversion of 0 ordinary shares.

	Release and conversion (exchange or subscription) measures	Please refer to the bond issuance data of the bond credit zone of the Market Observation Post System	Please refer to the Private Placement section of the Public Information Observatory.
	Possible dilution effects on the equity from issuance and conversion, swap or subscription method, and issuance terms and current shareholders' equity	When the remaining corporate bonds are fully converted into ordinary shares based on the existing conversion price, the Company needs to issue 3,278,248 ordinary shares with a dilution rate of 3.65%, which has a limited impact on shareholders' equity.	When the remaining corporate bonds are fully converted into ordinary shares based on the existing conversion price, the Company needs to issue 813,309 ordinary shares with a dilution rate of 0.9%, which has a limited impact on shareholders' equity.
	Name of the commissioned custodian of exchangeable underlyings	not applicable.	Not applicable

Note 1: Handling of corporate bonds include public and private offering of bonds. Public corporate bonds being processed refer to the ones that will be exercised (approved), and the private corporate bonds being processed refer to the ones that have been approved by a company's Board of Directors.

Note 2: Number of columns can be adjusted based on actual number of processing.

Note 3: Please fill this column if it is an overseas corporate bond.

Note 4: If conditions such as distribution of cash dividends, foreign investments or requirement for maintaining a certain ratio of asset are required.

Note 5: Shares that were traded via private placement should be indicated in a clear manner.

Note 6: For convertible bonds, swappable bonds, bonds issued through shelf registration or bonds with subscription rights shall disclose the information on the convertible bonds, swappable bonds, status of shelf registration and subscription rights based on the nature of the bond.

(II) Processing of information on convertible bonds

Type of bond		Second domestic unsecured bond		First domestic private placement of unsecured corporate bonds	
Annual		2022	2023 as at March 31	2022	2023 as at March 31
Market value of converted corporate bonds (NT\$)	Highest	111.50	125.00	Not applicable	
	Lowest	103.60	110.00		
	Average	107.55	119.08		
Price of conversion		304.98	304.98		
Date of issuance and conversion price at issuance		Issued on September 12, 2022, The conversion price at the time of issue is NT\$304.98		Issued on September 29, 2022, The conversion price at the time of issue is NT\$270.50	
Fulfillment of conversion obligation		Issuance of new shares		Issuance of new shares	

(III) Exchange corporate bond data: None

(IV) Overview of corporate bond release: None

(V) Attached is corporate bond subscription information: None

III. Handling of preferred stocks: None.

IV. Handling of Overseas Depository Receipt: None.

V. Handling of Employee Stock Subscription Rights:

(I) Handling of employee stock option certificates:

March 31, 2023

Types of Employee Stock Subscription Rights (Note 2)	first time in 2019 Employee Stock Subscription Rights (Note 5)	Second time in 2019 Employee Stock Subscription Rights (Note 5)	first time in 2022 Employee Stock Rights (Note 5)
Effective date	2019.10.29	2019.10.29	2022.11.29
Issuance (processing) date (Note 4)	2019.12.01	2020.10.27	2022.12.15
Units issued	1,879 (1,000 shares can be subscribed for every 1 unit)	2,017 (1,000 shares can be subscribed for every 1 unit)	4,500 (1,000 shares can be subscribed for every 1 unit)
Ratio of issued subscriptions on the total number of shares issued	2.09%	2.24%	5.01%
Duration of the stock options	6 years	6 years	5 years
Fulfillment method (Note 3)	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restricted subscription duration and ratio (%)	The grant period of warrants varies according to the category. Please refer to the issuance and subscription methods for details.	The grant period of warrants varies according to the category. Please refer to the issuance and subscription methods for details.	The grant period of warrants varies according to the category. Please refer to the issuance and subscription methods for details.
Number of shares acquired	1,114,100 shares	536,500 shares	0 shares
Monetary amount of stock subscription acquired	NT\$ 57,541,100	NT\$ 28,380,850	NT\$ 0
Stock subscriptions yet to be exercised	709,900 shares	1,308,500 shares	4,500,000 shares
Subscription price per share for stock subscriptions yet to be exercised	NT\$ 43.00	NT\$ 52.90	NT\$ 287.00
Units unexercised to total outstanding shares (%)	0.79%	1.46%	5.01%
Effects on shareholders' equity	Impact of dilution on the existing shareholders of ordinary shares is limited	Impact of dilution on the existing shareholders of ordinary shares is limited	Impact of dilution on the existing shareholders of ordinary shares is limited

Note 1: Handling of employee stock options include public and private offering of employee stock options. Public employee stock options being processed refer to the ones that will be exercised (approved), and the private stock options being processed refer to the ones that have been approved by shareholders' meeting.

Note 2: Number of columns can be adjusted based on actual number of processing.

Note 3: Indicate the number of shares acquired or the number of new shares to be issued.

Note 4: Those with different issuance dates should be separately filled.

Note 5: Shares that were traded via private placement should be indicated in a clear manner.

(II) Names, acquisition, and subscription of managerial officers who have obtained employee stock warrants as well as employees who rank among the top ten in terms of the number of shares obtained via employee stock options

1. First Employee Stock Subscription Rights in 2019:

March 31, 2023; Unit: in NT\$1,000's/Shares

	Title (Note 1)	Name	Number of employee stock options obtained	Percentage of employee stock options obtained to the total issuance of shares (Note 4)	Executed (Note 2)				Not yet executed (Note 2)			
					Number of shares subscribed	Subscription price (Note 5)	Subscription amount (in thousand NT\$)	Percentage of number of shares subscribed on the total issuance of shares (Note 4)	Number of shares subscribed	Subscription price (Note 6)	Subscription amount (in thousand NT\$)	Percentage of number of shares subscribed on the total issuance of shares (Note 4)
Manager	General Manager	Cheng Ming Lung	670,000 shares	0.75%	490,000 shares 54,000shares	NT\$54.10 NT\$43.00	28,831	0.61%	126,000 shares	NT\$43.00	5,418	0.14%
	Deputy General Manager	Lu Shan Feng										
	Assistant Manager at Finance Department	Wu Shu Yi										
Employees (Note 3)	Assistant Manager of the Administration Department	Da-Hong Cheng	690,000 shares	0.76%	230,000 shares 114,000shares	NT\$54.10 NT\$43.00	17,345	0.38%	346,000 shares	NT\$43.00	14,878	0.38%
	Assistant Manager of the Operation Department	Feng-Shen g Huang										
	Assistant Manager of the Product Purchase and Marketing Department	Shi-Wei Ye										
	Supervisor in Operations Department	Cheng-Wei Kao										
	Supervisor in Operations Department	Wei-Jen Lu										
	Manager in Store Development Department	Sung Chao Feng										
	Manager of the E-commerce Division of the Branch	Chung-Che Chiang										
	Operations Manager in Subsidiary	Liu Mei Yun										
	Supervisor in Operations Department	Li-Ming Hsu										
Supervisor in Operations Department	I-Chih Chang											

Note 1: Individual names and positions of managers and employees (please indicate in case of turnover or diseased), but acquisition and subscription may be disclosed as aggregate sum.

Note 2: Number of columns can be adjusted based on actual numbers of issuance.

Note 3: Top 10 employees who have received subscription rights refer to employees other than managers.

Note 4: Number of shares issued refer to the number of shares listed in the registration files of the Ministry of Economic Affairs.

Note 5: Subscription price at the time of subscription shall be disclosed for the employee stock options that have been exercised.

Note 6: For price of employee subscription options yet to be exercised, the Company shall disclose the subscription price calculated based on issuance method after adjustments.

2. Second Employee Stock Subscription Rights in 2019:

March 31, 2023; Unit: in NT\$1,000's/Shares

	Title (Note 1)	Name	Number of employee stock options obtained	Percentage of employee stock options obtained to the total issuance of shares (Note 4)	Executed (Note 2)				Not yet executed (Note 2)			
					Number of shares subscribed	Subscription price (Note 5)	Subscription amount (in thousand NT\$)	Percentage of number of shares subscribed on the total issuance of shares (Note 4)	Number of shares subscribed	Subscription price (Note 6)	Subscription amount (in thousand NT\$)	Percentage of number of shares subscribed on the total issuance of shares (Note 4)
Manager	Deputy General Manager	Lu Shan Feng	90,000 shares	0.10%	72,000 shares	NT\$52.90	3,809	0.08%	18,000 shares	NT\$52.90	952	0.02%
	Assistant Manager at Finance Department	Wu Shu Yi										
Employees (Note 3)	Assistant Manager of the Administration Department	Da-Hong Cheng	270,000 shares	0.30%	162,000 shares	NT\$52.90	8,570	0.18%	108,000 shares	NT\$52.90	5,713	0.12%
	Assistant Manager of the Operation Department	Feng-Sheng Huang										
	Assistant Manager of the Product Purchase and Marketing Department	Shi-Wei Ye										
	Supervisor in Operations Department	Cheng-Wei Kao										
	Supervisor in Operations Department	Wei-Jen Lu										
	Manager in Store Development Department	Sung Chao Feng										
	Manager of the E-commerce Division of the Branch	Chung-Che Chiang										
	Operations Manager in Subsidiary	Liu Mei Yun										
	Supervisor in Operations Department	Li-Ming Hsu										
	Supervisor in Operations Department	I-Chih Chang										

Note 1: Individual names and positions of managers and employees (please indicate in case of turnover or diseased), but acquisition and subscription may be disclosed as aggregate sum.

Note 2: Number of columns can be adjusted based on actual numbers of issuance.

Note 3: Top 10 employees who have received subscription rights refer to employees other than managers.

Note 4: Number of shares issued refer to the number of shares listed in the registration files of the Ministry of Economic Affairs.

Note 5: Subscription price at the time of subscription shall be disclosed for the employee stock options that have been exercised.

Note 6: For price of employee subscription options yet to be exercised, the Company shall disclose the subscription price calculated based on issuance method after adjustments.

3. First Employee Stock Subscription Rights in 2022:

March 31, 2023; Unit: in NT\$1,000's/Shares

	Title (Note 1)	Name	Number of employee stock options obtained	Percentage of employee stock options obtained to the total issuance of shares (Note 4)	Executed (Note 2)				Not yet executed (Note 2)			
					Number of shares subscribed	Subscription price (Note 5)	Subscription amount (in thousand NT\$)	Percentage of number of shares subscribed on the total issuance of shares (Note 4)	Number of shares subscribed	Subscription price (Note 6)	Subscription amount (in thousand NT\$)	Percentage of number of shares subscribed on the total issuance of shares (Note 4)
Manager	Deputy General Manager	Lu Shan Feng	4,000 shares	0.004%	0 shares	NT\$0	NT\$0	-%	4,000 shares	NT\$287	1,148	0.004%
	Assistant Manager at Finance Department	Wu Shu Yi										
Employees (Note 3)	Assistant Manager of Information Department	Xie Zong You	106,000 shares	0.12%	0 shares	NT\$0	NT\$0	-%	106,000 shares	NT\$287	30,422	0.12%
	Assistant Manager of Overseas department	Qiu Xian Zhi										
	Project Manager of Overseas department	Huang Si Jie										
	Project Manager of Overseas department	Ou Zong Rong										
	Project Manager of the Product Purchase and Marketing Department	Zhou Zhong Xian										
	Project Manager of the Product Purchase and Marketing Department	Zhang Wei										
	Regional Supervisor of Operation Department	Chen Bo Ying										
	Project Manager of Overseas department	Cai Xiang You										
	General Manager of Operation Department of Subsidiary	Yu Ya Hui										
	Project Manager of Overseas department	He Cheng Yi										

Note 1: Individual names and positions of managers and employees (please indicate in case of turnover or diseased), but acquisition and subscription may be disclosed as aggregate sum.

Note 2: Number of columns can be adjusted based on actual numbers of issuance.

Note 3: Top 10 employees who have received subscription rights refer to employees other than managers.

Note 4: Number of shares issued refer to the number of shares listed in the registration files of the Ministry of Economic Affairs.

Note 5: Subscription price at the time of subscription shall be disclosed for the employee stock options that have been exercised.

Note 6: For price of employee subscription options yet to be exercised, the Company shall disclose the subscription price calculated based on issuance method after adjustments.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies:
None.

VIII. Execution of Fund Application Plans:

The Company's capital increase plan for the last three years has been implemented in accordance with the scheduled plan.

Chapter 5 Operating Overview

I. Business Content

(I) Operation Scope

1. The Company's business operations encompass the following:

The Company is the first drugstore chain enterprise to have received ISO 9001 certification for the quality management system processes in the head office and in stores throughout Taiwan. The Company has also received the "Good Store Practice (GSP)" certification from the Ministry of Economic Affairs.

In line with the government's policy of separating treatment from medication, the Company has developed a "drugstore cloud-based medical history integration service management system." After many years of actual practice, we have successfully integrated the prescription drug purchasing, supply, and management in drugstores, community clinics, joint clinical centers, and medical communities.

After many years of continuous actual operational growth and performance, our "Great Tree Pharmacy" brand has established the first drugstore management system "GT-POMS" throughout Taiwan. Drugstores that utilize the aforesaid system are found throughout the country by 2014, and the Company has also received the subvention of "Service Industry Innovation Research (SIIR)" from the Ministry of Economic Affairs and established a "cross-platform health management cloud-based app" to provide free professional health and drug-use service to our many members found throughout Taiwan. While strategically planning the online shopping service for healthcare industry in the future and conducting virtual-physical channel integration plan, we also continue to provide broad medical care in our drugstores to enhance competitiveness and to build a comprehensive health care system, securing our leadership position. We aim to satisfy the supply and demand for various types of medical and health care products in drugstores and pharmacies to seize the growing business opportunities in the ageing market.

2. Business operation proportion

Unit: NT\$thousand; %

Item	Year	2021		2022	
		Amount	Percentage of revenue	Amount	Percentage of revenue
Maternity and infant products		4,464,078	39.57	5,211,761	35.78
Health care supplements		2,643,483	23.43	3,830,110	26.30
National Health Insurance (NHI) prescription drugs		1,802,274	15.98	2,090,359	14.35
Health care products		1,874,740	16.62	2,788,309	19.15
Others		496,367	4.40	644,106	4.42
Total		11,280,942	100.00	14,564,645	100.00

Data source: financial statements audited and certified by CPA.

3. Current commodity (service) items

The Company's operating model is the sales of maternity and baby products, health care supplements, NHI prescription drugs and medical equipment to the public. Currently, the Company's major products include:

By type of product	Categories
Maternity and infant products	Baby formula, diapers, maternity and baby products
National Health Insurance (NHI) prescription drugs	Prescription medicine
Health care supplements	Health foods and supplements
Health care products	Adult supplements and diapers, medical equipment and cosmetic/beauty products
Others	Home products and foods

4. New goods (services) planned to be developed

(1) Innovative services

- 1) Having received the "Service Industry Innovation Research (SIIR)" from the Ministry of Economic Affairs and established a "cross-platform health management cloud-based app," the Company will enhance interactive health management with consumers and expand the types of health care products needed by consumers and brand reliance, paving the way to e-commerce services in Taiwan.
- 2) After the Company successfully collaborated with Family Mart to open the "Family Mart x Great Tree Pharmacy," we will expand the number of collaboration stores in the future to build comprehensive new store models which integrate health retail, medication, and living goods. This will also help us to pave the way for e-commerce and help to provide complete online and offline (O2O) integrated support.
- 3) Since September 2015, the Company has been collaborating with Tmall, a business group of Alibaba Group, on trans-border e-commerce. We mostly sell health supplements and maternity and infant products, and the platform will help us to expand to the Chinese e-commerce market and reach the widespread Chinese netizen, thus enhancing our brand awareness overseas.

(2) Maternity and infant products

- 1) In response to low birth rates, we will add more mid-to-high-end products to enhance the average unit price of products.
- 2) Expand the scope of product needs such as environmental, detergents, and mothers' needs during breastfeeding to increase the average number of products bought per customer.

(3) Health care supplements

- 1) In addition to gradually introducing well-established domestic and international brands, we will also compete for exclusive retail rights in

Taiwan.

- 2) In terms of our products, we will expand from the current health supplements to medical equipment to increase the ratio of our products to the overall sales.
- (4) Health care products
- 1) Health care products for outpatients and senior citizens and planning of management for large-scale medical equipment.
 - 2) Introducing more professional care products for specific diseases.
- (5) Others
- 1) Organic, natural, chemical-free concept of personal hygiene and skincare, environmental cleaning products.
 - 2) Organic foods, safe food additives and health beverages.

(II) Industry Overview

1. Current status and development of the industry

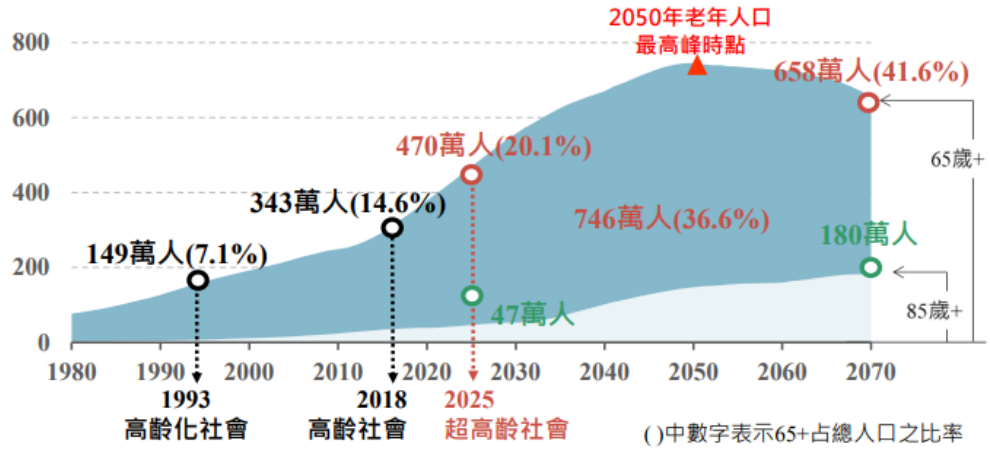
The main macro environmental factors that have higher impact to the industry that our Company belongs to are: the change of demographic structure, the change of policies and legislations, and the overall economic situation described by indexes like gross domestic product (GDP) and national health expenditure (NHE). Therefore, these impacts are described below according to factors including the demographic trends of our country, policies and legislation changes, trend of NHE per capita in our country, and the ratio of NHE to GDP:

(1) Age Demographic Trend in Taiwan

According to the "Republic of China Population Estimation (2020 to 2070)" published by the National Development Council, by 1993, the ratio of older population to the general population of our country had surpassed 7%, making our society an aging society. As shown in figure 3, this ratio is expected to surpass 14% in 2018, making our country an aged society, and by year 2025, this ratio will be over 20%, which means our country will be part of the super aged society.

Moreover, as shown in figure 4, the growth of the working population consisting of people between age 15 to 64 is continuing to slow down, and will start to decrease in the year 2015, while the growth of the older population of people over the age of 65 is higher than the growth of working population. As the post-war baby boomers began to be older than the age of 65, the growth of the older population in our country had started to speed up since 2011, and surpassed the young-age population in 2017. It is estimated that by 2029, the elderly population will reach twice that of the young population. After that, as the older population increase, death count will increase as well, the population growth will slow down and becomes negative growth from 2050. It is estimated that the older population will grow from 3.79 million in 2020 to 6.58 million in 2070, which is a growth of 0.74%.

Figure 3: Timeline of the aging population of the country

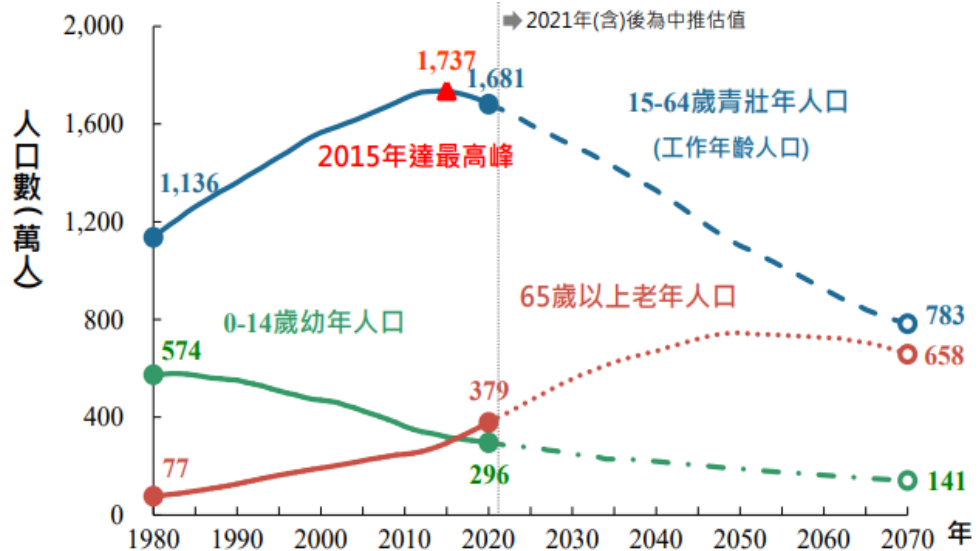


說明：1. 國際上將65歲以上人口占總人口比率達到7%、14%及20%，分別稱為高齡化社會、高齡社會及超高齡社會。

2. 2021年(含)後為中推估值。

資料來源：國家發展委員會「中華民國人口推估（2020至2070年）」，2020年8月。

Figure 4 : Demographic trend of our country



資料來源：國家發展委員會「中華民國人口推估（2020至2070年）」，2020年8月。

As the older population ratio increases to grow in our country, the need of medical care, disease and sickness monitoring and prevention will increase. In that situation, the expenditure on various drugs, health supplements, and health care products are expected to increase as well.

(2) Policy changes

Our country implemented the separation of dispensing practice from medical practice in 1997. The principle of separation of dispensing practice from medical practice is to have doctors responsible for diagnosis, treatment, and issue prescriptions, and have pharmacists responsible for preparing medication according to the prescription and provide instructions and consultations on drug use. The goal was to protect people's right to knowledge and choice, to provide

medical efficiency by making doctors and pharmacists cooperate, and to protect drug use safety for people. In light of the fact that some hospitals used the differences in drug prices to earn high profits from drug administration, the National Health Insurance Administration (NHIA) has been conducting surveys on drug prices and adjusting their prices on a bi-annual basis since 2000. The hospital's margin for drug price difference continues to shrink, and under the total payment system stipulated by the NHI, hospital management needs to adjust its profit structure, prioritize businesses with higher profits and to reduce the drug sales business with declining profits.

(3) Average NHE changes per person and ratio on the GDP

As shown in the figure below, under the "national health care expenditure in 2021" prepared by the Ministry of Health and Welfare of the Executive Yuan, the national health care expenditure (NHE) in 2020 was NT\$1,426.5 billion, an increase of 7.7% compared with 2019, with an increase of 9.2% lower than the annual increase of gross domestic product (GDP), resulting in an amount accounting for GDP (NT\$21,739.0 billion), i.e. NHE / GDP rose to 6.6%, same of the previous year; the average NHE per capita was NT\$60,783, 8.3% higher than that of the previous year. This indicates that the public's health and medical expenditure is showing a steady increase in each year.

Currently, NHE accounts for between 6% and 7% of GDP. However, in recent years, due to the rapid advancement of international medical and biomedical technology, Taiwan's national income continues to increase and the population structure is also accelerating. According to the development experience of OECD countries, Taiwan's national health care needs will continue to grow due to international development trends and its ageing population.

Figure 5. Overview of National Health Care Expenditure

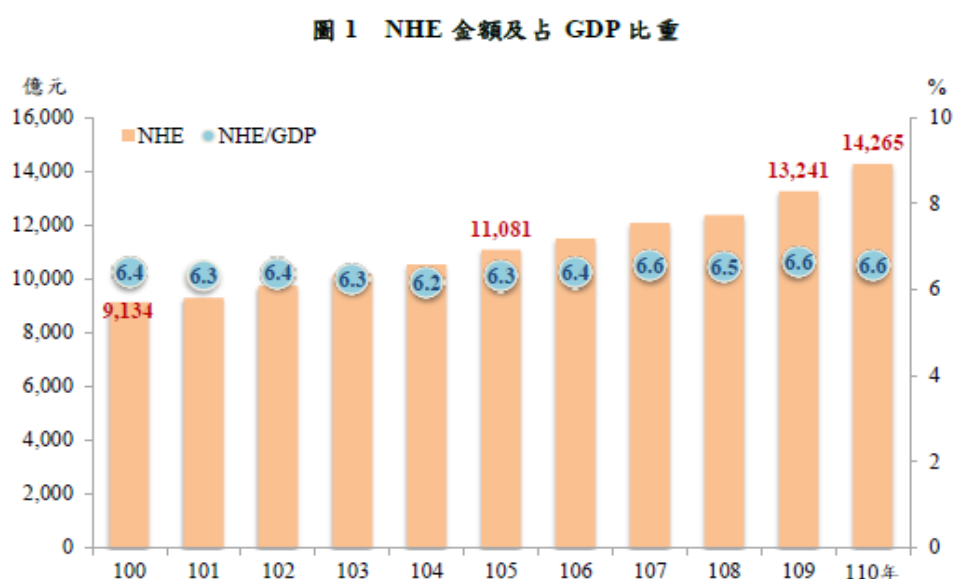


表 1 NHE 及平均每人 NHE

	國民醫療保健支出 (NHE)		平均每人 NHE		平均每人 GDP		NHE/GDP (%)	GDP 年增率 (%)
	億元	年增率(%)	元	年增率(%)	元	年增率(%)		
100 年	9,134	3.3	39,382	3.0	614,922	1.2	6.4	1.4
101 年	9,293	1.7	39,935	1.4	630,749	2.6	6.3	2.9
102 年	9,742	4.8	41,733	4.5	654,142	3.7	6.4	4.0
103 年	10,171	4.4	43,459	4.1	694,680	6.2	6.3	6.5
104 年	10,528	3.5	44,870	3.2	726,895	4.6	6.2	4.9
105 年	11,081	5.3	47,122	5.0	746,526	2.7	6.3	2.9
106 年	11,492	3.7	48,787	3.5	763,445	2.3	6.4	2.4
107 年	12,071	5.0	51,189	4.9	779,260	2.1	6.6	2.2
108 年	12,358	2.4	52,372	2.3	801,348	2.8	6.5	2.9
109 年	13,241	7.2	56,149	7.2	844,485	5.4	6.6	5.3
110 年	14,265	7.7	60,783	8.3	926,314	9.7	6.6	9.2

附註：依最新國民所得統計進行編算修正。

Source: "2021 Domestic Medical and Health care Expenditure" from Ministry of Health and Welfare, Executive Yuan

(4) Domestic drug and skincare and beauty retail market

In terms of the domestic drug and cosmetics retail market, according to the Department of Statistics of the Ministry of Economic Affairs' "turnover of wholesale, retail and catering industry", its market size has grown from NT\$163.2 billion in 2012 to NT\$214.6 billion in 2022, with a compound annual growth rate of 2.78%. In 2012, the domestic economy was affected by the European debt crisis, which slowed down the overall market growth, compared with NT\$191.8 billion in 2018, an increase of 4.3% compared with the same period of the previous year; on the whole, the domestic retail market of drugs and cosmetics shows a moderate growth trend.

In addition, from 2012 to 2022, the expenditure on health insurance drugs was NT\$141.8 billion, NT\$153.9 billion, NT\$160.5 billion, NT\$162.2 billion, NT\$170.2 billion, NT\$183.5 billion, NT\$195.7 billion, NT\$208.3 billion, NT\$217.5 billion, NT\$224.6 billion and NT\$230.8 billion respectively. Due to the growth of population aging and the number of medical visits, major injuries/illnesses, and outpatient chronic diseases, the annual average growth rate of drug expenditure was about 4.99%.

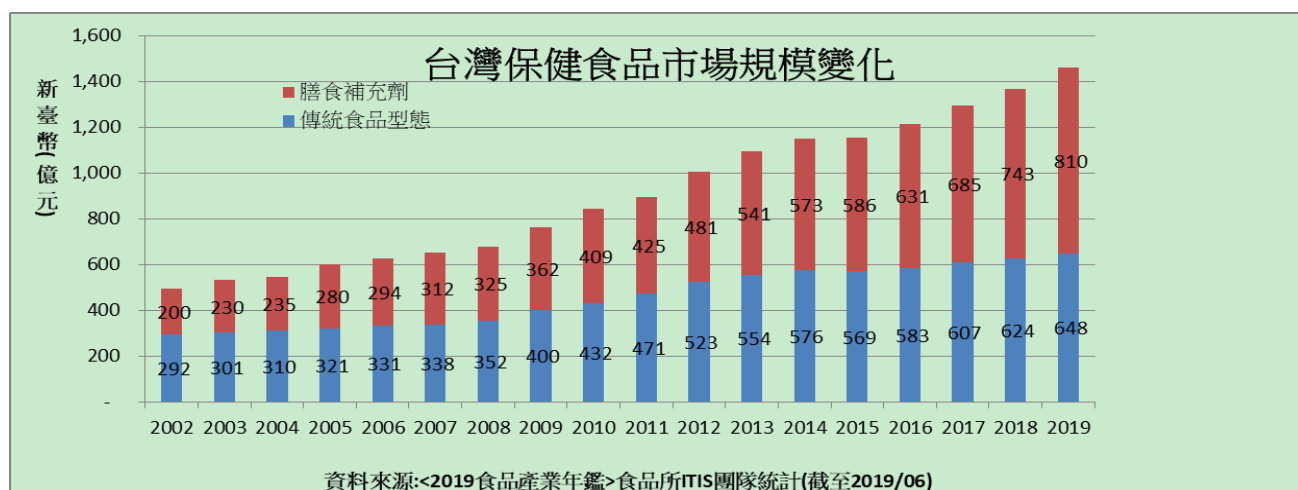
According to the "long-term follow-up survey on the physical and mental social life of the elderly in Taiwan" conducted by the Health Promotion Administration, nearly 90% of the elderly (88.7%) reported that they had at least one chronic disease diagnosed by doctors, and the proportion of the elderly with more than three chronic diseases was as high as 50%; hypertension (46.67%), cataract (42.53%) and heart disease (23.90%) were the most common chronic diseases of the elderly, while in mental health, 13.00% of the male elderly in Taiwan reported

depression, while 17.20% of the female elderly in Taiwan reported depression. To evaluate the occurrence of chronic diseases in physiological and psychological aspects, the market demand for prescription drugs for chronic diseases will rise rapidly with the acceleration of population aging.

(5) Domestic health foods industry

The origin of health foods market in Taiwan can be traced back to the Yeast Candy and yeast powder launched by Taiwan Sugar Corp. in the 70s. Over 40 years have elapsed, and we have gone from fixed state supplements that only included capsules and pills to diverse types such as syrups and drinks. In addition, beverage type supplements have also developed from vitamins in the early days to functional beverages, beauty and skin care collagen and Chinese and herbal medicinal drinks. We are seeing more and more diversification in products.

With the improvement of health awareness in domestic consumers in recent years and the increase of chronic illnesses and the aging structure of the population, the demand for health foods and supplements has also increased accordingly. Health foods have gradually become supplements needed by the general public, and have driven for ample market opportunities for biotech foods such as functional foods, nutrition and dietary supplements. Currently, the health foods in Taiwan are mostly products designed to regulate blood lipids, gastrointestinal improvements, immune regulation, and for liver protection. According to the survey and



estimation of the IT IS team of the Food Institute, the market size of health food in Taiwan in 2018 was NT\$136.7 billion, with a growth rate of 5.79%. Among them, the market size of dietary supplements was about NT\$74.3 billion, with an estimated overall growth rate of 6.63% in 2019 to NT\$81 billion.

International market research company Euromonitor predicts that by 2021, the Asian health food market is estimated to reach US\$89.63 billion (about NT\$2,649.9 billion), indicating that the market size of the Asia-Pacific region will expand year by year. In addition to Taiwan, most of the products sold by Taiwan's food biotechnology industry are sold in the Asia-Pacific region. With the gradual saturation of the nutrition and health products based on probiotics and *Angora camphorata* in Taiwan's domestic market, and the saturation of appeal to supplement vitamin nutrition health food, companies are keen to use plant-based raw materials, and most are also looking to develop overseas markets, and it is worth noting that, as the health food of capsule lozenges is more convenient for consumers to take and the unit price is higher than that of traditional health food, more and more manufacturers are planning to produce capsule ingot-based health food and expand overseas market, so it is estimated that the production value of food biotechnology will show growth in 2021.

(6) Domestic maternity and baby products market

The early pharmacies in Taiwan mostly used closed-off prescriptions. The pharmacy channels mainly sold non-prescription medicine, dispensing drugs, and some household cleaning products. However, with the implementation of National Health Insurance (NHI), nearly all pharmacy dosage was taken over by NHI clinics. Therefore, the drugstore market began to transition, turning from closed off to open-shelf, and at the same time, they have also shifted their focus to infant and children's products. The drugstore market boomed rapidly, first replacing supermarkets, then surpassing hypermarkets to become the largest retail channel for infants' and babies' formula in Taiwan. The rapid emergence of drugstore channels is due to the following reasons on top of policy changes from the government:

- Professional background of the drugstores helps to establish an image of being professional to the consumers.
- Pharmacists can easily acquire nutritional knowledge and can provide pregnant women and mothers with consultation and service related to nutrition.
- The model of drugstores make them highly interactive with consumers, helping to enhance consumer loyalty.
- Prices at drugstores are flexible and can provide long-term promotional prices to consumers.
- Drugstores are usually operated as community models, making them more accessible to consumers.

1) Overview of milk powder market

Milk powder for babies (also known as formula) is an alternative choice to

breastfeeding. It is a food designed to support the adequate growth of babies, and can also serve as their only source of nutrition. Ingredients of most of the infant and baby formula in the market include pure milk and casein as a source of protein, mixed vegetable oil as a source of fat, lactose as a source of carbohydrates, and vitamins and mineral compounds and other ingredients. According to the World Health Organization (WHO), any infant formula prepared in accordance with international food regulations is treated as a safe food with sufficient nutrition and is suitable as a substitute of breast milk. In addition to breast milk, the medical community believes that infant formula is the only type of milk acceptable to infants less than the age of one in terms of nutrition.

According to the 2015 research data from Kantar Worldpanel, the scale of the market for infant formula in Taiwan is approximately NT\$6.7 billion, while infant formula can be classified based on "age" and "product function." Depending on age, the milk powder can be divided into four stage: Newborn baby formula (stage 1 milk powder), relatively older infant formula (stage 2 milk powder), formula for growing infants (stage 3 milk powder), and children's nutritional formula (stage 4 milk powder) as indicated in the following table.

Age	0-6 months	6-12 months	1-3 years old	3-7 years old
Stage	Newborn baby formula	Relatively older infant formula	Formula for growing infants	Children's nutritional formula

According to the dairy production industry trend report from the Taiwan Industry Economics Service, MOEA in October 2017, the domestic dairy and milk powder businesses have begun to develop the domestic milk powder for adults market. Based on the fact that the population in Taiwan continues to age, businesses have developed special milk powder for the middle-aged population over 50 years old, such as milk powders containing high calcium content, high iron content, plant-based dietary fibers, glucosamine, Omega 3 and vitamin B, which meet the dietary needs for middle-aged population in Taiwan. Therefore, the import performance of milk powder for adults has been effectively increased. Moreover, as the Taiwanese population's awareness for health beverages such as calcium supplementation increases, so does their need for dairy products such as cheese.

2) Overview of diaper market

Adult diapers are the daily necessities of long-term bedridden patients and urinary incontinence patients. When entering the aging society, the proportion of the elderly population in the population structure is increasing year by year,

and the demand for adult diapers is increasing relatively. From the table below, it can be seen that the elderly population over 65 years old in Taiwan has increased from 2,938,000 in 2015 to 3,939,000 in 2021, while the sales volume of adult diapers has grown from 493 million to 584 million, showing that Taiwan is gradually moving towards an aging society. With the improvement in national income, quality of life, and the change in hygiene habits, it is expected that the market size of adult diapers will expand steadily in the future.

Overview of diaper sales in Taiwan

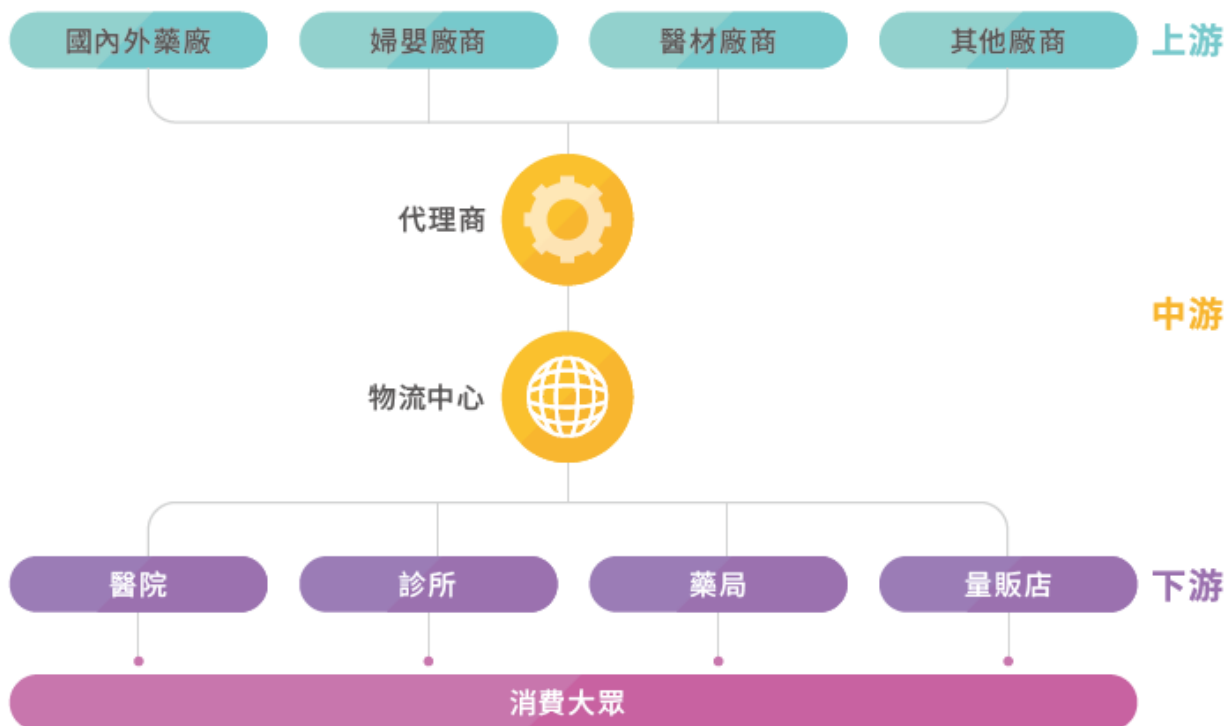
項目 \ 年別	104年	105年	106年	107年	108年	109年	110年
65歲以上人老年人口數 (萬人)	293.8	310.6	326.8	343.4	360.7	378.7	393.9
成人紙尿褲銷售量 (億片)	4.93	5.64	5.74	5.45	5.80	5.78	5.84

資料來源：1. 「內政統計月報」，內政部統計處。
2. 「造紙產銷量統計」，台灣區造紙工業同業公會。

In terms of baby diapers, though birth rate continues to decline, but as national income and the household employment rate continue to rise, the domestic baby diaper sales have largely maintained steady growth. Since many competitors have entered the baby diaper market in recent years, there are many similar products on the market, leading to intense competition. Based on the above, the adult diaper market has benefited from the rapidly ageing population, while the growth of baby diaper market is kept at a steady pace due to low birth rate. Therefore, the overall diaper market has kept a pace of continuous, steady growth.

2. Relevance of upstream, middle, and downstream industries

The Company has professional pharmacy sales teams who serve as channels between domestic and overseas pharmaceutical vendors and the consumers. We assist suppliers to provide their products to target audience, while also support consumers to purchase the products they need through convenient, professional, and diversified services. The industry can be roughly divided into upstream, midstream, and downstream.



3. Various development trends of products

As the purchasing behavior of medical products require a higher and more professional barrier, consumers have less product information and higher needs for health care education. Therefore, enhancing the professionalism of storefront personnel is even more crucial in meeting consumer needs. The Company has a competitive product strategy:

- (1) As the population in Taiwan ages and medical expense increases, everyone's medical and drug expenditure will also steadily increase.
- (2) The market for chronic prescription medicine is rapidly increasing due to the aging population in Taiwan.
- (3) Under the policy of separating clinics from medication, the reception rate of chronic continuous prescription has continued to increase.
- (4) Pharmacy chains have replaced traditional single-store community drugstores, pharmacies within clinics, or drugstores near clinics.

4. Competition of products

- (1) Large enterprises have invested toward management of pharmacy channels
Large chain pharmacies in Taiwan, including Healthy Life and Yes Chain are gradually being acquired in recent years, and large drugstore chain like Cosmed has also invested toward health care community drugstores. Though as a Group, the Company's scale is still smaller than our competitors, but in terms of professional drugstore management, we have already rapidly opened new stores

and bridged the competitive gap through the GT-POMS system, which is a blend of our 10 years of successful experience. We have also widened the competition in terms of professionalism through our pioneering personal cloud-based health management system.

(III) Technology and R & D overview

The Company is in the chain pharmacy channel business and has not established an in-house R&D department. Nevertheless, to cater to the needs of the public consumers, our Product Marketing Department is committed to product development tasks and has planned the packaging of our own products, marketing strategies, and channel promotions. By developing various products and commissioning suppliers to produce them, the various development projects of own products have helped us to achieve talent cultivation, supplier partnership, and close-knit partnership during subsequent marketing and sales.

(IV) Long term and short-term business development project

1. Short term business development project

- (1) We will continue to optimize the model of successful development of stores, expand the business scope at home and abroad, and start the next five-year growth momentum.
- (2) Continue to lay out strategic cooperation opportunities and introduce overseas exclusive agent products. In addition to branded milk powder, we also actively seek diversified products such as pharmaceuticals, health food and supplies from well-known manufacturers in Europe, the United States and Japan, forming the diversities of the company's channels.
- (3) Through the first personalized cloud health management system, we provide consumers with free online professional care services, increase the use of cloud health information platform, and make the platform mature within five years, becoming the first professional health care cloud virtual channel.
- (4) Activate the commercial functions of the cloud health information platform, integrate the physical and virtual customer service sales system, integrate the flow of people, information flow and logistics through online and off-line, overcome the restrictions on the online sales of drugs due to regulations, and build a direct, fast and complete two-way health consulting channel for customers.
- (5) Collaborate with professional medical material manufacturers to record the health data provided by consumers through programs and analyze professionally, provide professional consultation to members in the use of products, promote the development of health Internet, enhance the service experience of physical store members, and build an all-channel online merge off-line (OMO) model.

2. A long-term business development project
 - (1) Expand the cloud-based integrated system to the Chinese market throughout the world to increase market share.
 - (2) Horizontally expand the industry and collaborate and form partnerships with health-related industries and diverse industries to achieve well-rounded service. By promoting the use of the cloud-based medical history app, we can provide members with innovative services ranging from cloud-based medical history query, reminder for drugs, and reminder for hospital visits, thus maximizing our brand value.

II. Overview of Market, Production and Sales

(I) Market analysis

1. Regions of major products (service) provisions

Unit: thousand NT\$; %

Item \ Year	2021		2022	
	Monetary amount	Ratio	Monetary amount	Ratio
Domestic sales	11,256,882	99.79%	14,529,995	99.76%
Exports	24,060	0.21%	34,650	0.24%
Total	11,280,942	100.00%	14,564,645	100.00%

Note: The financial information presented is consolidated information that has followed IFRS reporting standards.

2. Market share and future supply and demand situation and growth of the market

(1) Market share

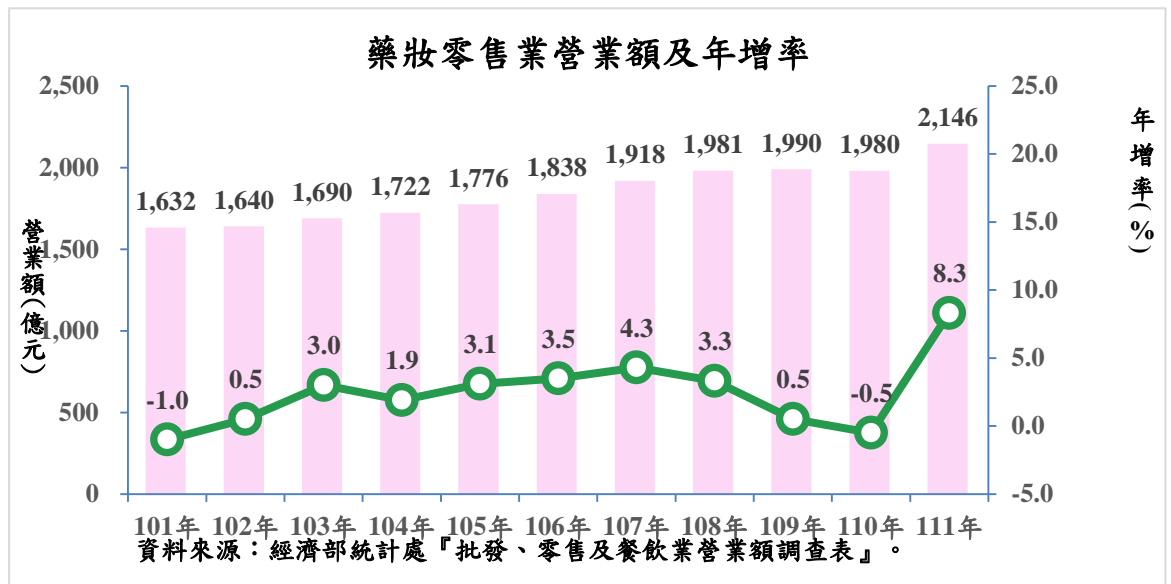
The Company is a downstream channel chain business in the biotechnology and medical industry. According to the circulation express Vol. 1007 in March 2023, as of February 28, 2023, the total number of domestic chain pharmaceutical channel operators is 1,621 stores, whilst the Company has 312 stores on February 28, 2023, accounting for 19.25% of the total number of domestic chain pharmaceutical channels. According to the Department of Statistics of the Ministry of Economic Affairs, the "turnover of wholesale, retail and catering industry" shows that the turnover of Taiwan's drug, medical supplies, and cosmetics retail market in 2022 is estimated to be NT\$2,146 billion, calculated by the Company's 2022 consolidated financial report turnover of NT\$14.56 billion, its market share is about 6.78%.

(2) Future supply and demand situation and growth of the market

1) Demand side

A. Drug and beauty retail market in Taiwan

According to data from "operating revenue from wholesale, retail and catering industry" from the Department of Statistics, MOEA, the revenue from the retail market for medicine, medical products, and beauty/skincare product in Taiwan in 2022 was estimated to be approximately NT\$2,146 billion, with an annual growth rate of 8.3%. The average growth rate over the past decade had been 2.78%. And according to the graph below, the retail sales of drugs and cosmetics in the retail market decreased in 2022 compared with 2021, mainly due to the impact of the epidemic in 2020, reducing the demand for related drugs and cosmetics, but has low correlations with the domestic economy, and was not severely affected by the economic recession. As the population aging index reached over 100 in February 2017, indicating that the number of senior citizens has surpassed the number of children for the first time and has continued to soar beyond 128.7 by the end of 2020 to arrive at 144.93 by the end of 2022, it is obvious that the aging society will have an increasing demand for medicine and medical equipment. As a whole, the pharmacy market in Taiwan continues to show an upward trajectory in the future.



B. Biotech health foods market

According to the survey and estimation of the IT IS team of the Food Institute, the market size of health food in Taiwan in 2018 was NT\$136.7 billion, with a growth rate of 5.79%. Among them, the market size of dietary supplements was about NT\$74.3 billion, with an estimated overall growth rate of 6.63% in 2019 to NT\$81 billion. International market

research company Euromonitor predicts that by 2021, the Asian health food market is estimated to reach US\$89.63 billion (about NT\$2,649.9 billion), indicating that the market size of the Asia-Pacific region will expand year by year. In addition to Taiwan, most of the products sold by Taiwan's food biotechnology industry are sold in the Asia-Pacific region. With the gradual saturation of the nutrition and health products based on probiotics and *Angora camphorata* in Taiwan's domestic market, and the saturation of appeal to supplement vitamin nutrition health food, companies are keen to use plant-based raw materials, and most are also looking to develop overseas markets, and it is worth noting that, as the health food of capsule lozenges is more convenient for consumers to take and the unit price is higher than that of traditional health food, more and more manufacturers are planning to produce capsule ingot-based health food and expand overseas market, so it is estimated that the production value of food biotechnology will show growth in 2021.

C. Maternity and infant products

Having begun with milk powder and diapers in the category of maternity and baby products, our pharmacy gradually expanded to include lineup of baby products, going from customer attraction to revenue consideration. Moreover, the mutual inclusiveness of professionalism over these products have prompted some pharmacies to actively increase these products. The sales of a mix of maternity and baby products are mostly designed to increase customer retention, and to expand into the baby dietary health care supplements market. According to Kantar Worldpanel's 2016 research, the scale of the market for infant formula in Taiwan was approximately NT\$6.5 billion, while the market for baby diapers was approximately NT\$6.4 billion. After adding a mix of maternity and baby products, pharmacies carved into the market shares of supermarkets and hypermarkets. Currently, pharmacies account for 90%, 70%, and 50% or more of the infant and baby powder milk, children's powder milk, and baby diapers market volume respectively.

2) Supply side

Since the Company is a downstream channel chain industry in the biotechnology industry, supply side analysis will be based on the production values of upstream domestic and overseas pharmaceutical companies and health food companies. As the global biotechnology and medical industry continues to grow and domestic demand for biotech products increases, adding momentum and business opportunities for the operations of biotech and pharmaceutical industry in Taiwan, the operational scale of biotech medical industry also continues to grow. Statistics from the Ministry of Economic

Affairs indicated that in 2021 the revenue forecast for the biotech medical industry had reached NT\$666.5 billion, with an overall growth rate of 10.9%. Most of the aforementioned revenue comes from health care, medical equipment, applied biotechnology, and medicine. In particular, medical equipment showed the largest growth rate. In 2021, its revenue was NT\$236.3 billion, indicating an annual growth rate of 22.8%. In addition, the revenue from medicine in 2021 was approximately NT\$91.7 billion, with an annual growth rate of 3.0%. Applied biotechnology had approximately NT\$125.8 billion in revenue and a 10.2% annual growth rate, while health care (including health promotions and well-being) had approximately NT\$212.7 billion in revenue and a 3.50% annual growth rate.

3) Growth

As the standards of education increases, the work-related pressure on the public also increases accordingly. Busy lifestyle has led to unbalanced diets while the age of illnesses gradually decreases. The medical awareness of natural prevention has emerged, and consumers are paying increasing attention to the health care concept that prevention is more important than cure, and more and more of the public is willing to invest toward their health. Though financial slump around the world in 2009 had led to economic downturn, but the revenues from health foods providers in Taiwan had grown in spite of the slump. This shows that the pharmacy channel is mostly focused on delaying ageing and strengthening both physical and mental health while supplementing short- and long-term protection and care, and will continue to show steady growth and development.

Furthermore, Mainland China begun to push for new medical reform in 2009 and would invest over CNY 850 billion toward reforming the medical infrastructure. In addition, China plans to adjust its economic development structure through "expanding domestic need" and "seven strategic emerging industries" in the "12th Five-Year Plan," and bio medical industry is one of its core industries. The production value of the overall seven strategic emerging industries on the GDP will be increased from 1% to 15%, and the production value will reach CNY 10 trillion, indicating that there is ample market potential in the Chinese medical service market. After stabilizing our market share in the Taiwanese channel market for medical products, the Company plans to be dedicated to developing the Chinese market.

3. competitive niche

(1) Stable customer relations and winning the trust from consumers

Provide consumers with free online professional health care service via our pioneering personal cloud-based health management system on top of providing

physical and virtual channels of communication, building the professional brand of "Great Tree" and winning a high sense of reliability from customers.

(2) Great Tree Pharmacy management system

The Company boasts of the most experienced and comprehensive core management team throughout the industry. We understand changes in the industry development and our marketing team continuously innovates more diverse types of services. Collectively, we have built the Great Tree Pharmacy management system and achieved the ISO9001 and Good Service Provider (GSP) certifications.

(3) Well-rounded teaching system

The medical industry is intricately connected with health and human safety. In addition, laws, educational training, marketing and sales, and services are both complex; thus, the Company has built a comprehensive educational training system and innovated remote teaching system and online evaluation. From new recruits to personnel of each rank, each level of our employees will be subjected to appropriate courses, providing professional relevant knowledge to the in-store service personnel.

4. Favorable and unfavorable factors and Countermeasures of the development prospect

(1) Favorable factors

1) Increase in GDP, gradual increase of the percentage of senior population and the increased awareness for health

As GDP, the percentage of senior population, and the average lifespan of Taiwanese population continue to increase, the public's need for various medical and health such as health care, disease detection and prevention will definitely rise. This will continue to drive the sales of various medicine, health foods, and health care products.

2) Under the policy of separating clinics from medication and the NHI total payment system, the reception of chronic and continuous prescriptions has continued to increase

In light of the fact that some hospitals used the differences in drug prices to earn high profits from drug administration, the National Health Insurance Administration (NHIA) has been conducting surveys on drug prices and adjusting their prices on a bi-annual basis since 2000. The hospital's margin for drug price difference continues to shrink, and under the total payment system stipulated by the NHI, hospital management needs to adjust its profit structure, prioritize businesses with higher profits and to reduce the drug sales business with declining profits. Therefore, under the combination of the NHI regularly reviewing drug prices, total payment system, and the separation of clinics from medication, large hospitals have actively released the prescription

business due to their own subpar profit structure, so that the Company's chronic prescription drug business will continue to grow in the future.

- 3) Received ISO 9001 certification and awarded with GSP certification, actively developing cloud-based medical history system

The Company boasts of the most experienced and comprehensive core management team throughout the industry. We understand changes in the industry development and our marketing team continuously innovate more diverse types of services. Collectively, we have built the Great tree Pharmacy management system and achieved the ISO9001 and Good Service Provider certifications, indicating our excellent management efficiency and fulfilling our brand philosophy of "a pharmacy you can trust" in practice.

In line with the government's policy of separating treatment from medication, the Company has developed a "drugstore cloud-based medical history integration service management system." After many years of actual practice, we have successfully integrated the prescription drug purchasing, supply, and management in drugstores, community clinics, joint clinical centers, and medical communities. Based on these advantages, the Company will launch the commercial functions on the cloud-based health information platform. We will integrate physical and virtual customer service and sales system to overcome the legal prohibition against drug sales online to establish a direct, fast, and comprehensive bi-lateral health consultation channel for customers.

- 4) Comprehensive educational training system

The products the Company sells is intricately connected with consumers and has to do with health and human safety. In addition, laws, educational training, marketing and sales, and services are both complex; thus, the Company has built a comprehensive educational training system and innovated remote teaching system and online evaluation. From new recruits to personnel of each ranks, each level of our employees will be subjected to appropriate courses, providing professional relevant knowledge to the in store service personnel.

- 5) Understand customer needs, develop own-brand products to expand the levels of service and enhance customer satisfaction

The Company operates chain pharmacy channel, and understands customer needs and preferences as the nature of our industry allows us to come face-to-face with consumers. Moreover, based on the service philosophy of introducing the most suitable products to customers, we have developed our own brand products to cater to customer needs. We wish to enhance customer loyalty, satisfaction, and willingness to make repurchase through selling the products that best meet their needs, thus enhancing contribution margin.

- 6) Member customers have high levels of loyalty to the Company's brand, and effectively inject contribution margin

The Company's in-store staff will drive customer flow by inviting members to make repurchases and by organizing promotional activities, thus also increasing brand loyalty and adhesion. The Company currently has nearly 3.84 million members, and since members can enjoy shopping discounts, accumulate bonus points and free online fliers and other benefits, the willingness to make repurchase is effectively stimulated in members. Moreover, the ratio of revenue from members to monthly revenue is gradually increasing, showing that members of the Company have high levels of adhesion to the Company's channel brand, and we hope to continuously drive their contribution margin and to drive the Company's sales.

(2) Unfavorable factors

1) Increasingly intense competition with many substitute products

Due to the high homogeneity of the products provided by each chain drugstore channel, the degree of differentiation is rendered less obvious. As consumers tend to purchase products with lower prices, each channel operator is likely to fall into price wars, thereby weakening the Company's profitability.

Response measures

The Company fosters professional knowledge and characters as well as the passion for service in our storefront personnel through solid educational training, so that they can actively provide consultation for customers on maternity and baby products and health foods with a positive attitude; thereby helping pharmacists to focus on drug administration, chronic disease service management and consultation as well as NHI prescription drugs, non-prescription drugs, and over-the-counter drugs. By enhancing the professional knowledge of pharmacists and store personnel, we can provide consumers with well-rounded health management solutions, thus differentiating our stores from competitors and enhancing positive recognition, trust, and loyalty to our brand from customers.

2) Wide variety of products make quality control difficult

Since the Company has a wide variety of product lines and mixes as well as numerous upstream suppliers, the quality management over products is challenging. Our overall performance could be affected if consumers lose faith in products.

Response measures

Prior to introducing products to the shelves at stores, the Company would strengthen the quality control over products and evaluate suppliers. We adopt preventive measures to actively control product quality for consumers. In case product quality is found to be defective, the Company will actively find and recall the product in question and assist consumers to seek for indemnities from suppliers to prevent them from purchasing questionable products and not

being able to return them. This will also help to generate consumers' faith in the Company.

(II) Important uses and production process of main products

1. Use of main products

Product type	Applications
Maternity and infant products, NHI prescription drugs and health care supplements	Products are sold in the chain pharmacy channels, where we offer consumers choices for drugs, home-based health care and health prevention.

2. Product review and launch process



(III) Supply of main raw materials

Suppliers of the Company's main materials are from Taiwan, and the supply of main materials is decent. No shortage of supply has occurred in the most recent two years. In addition, since the Company's output has reached economies of scale, making it easier for the Company to negotiate for better terms with major suppliers, the Company is in a better position to develop new suppliers and to maintain stable supply.

(IV) Suppliers/customers who accounted for at least 10% of purchases/sales and respective amount and percentage in recent 2 years

1. Data of main suppliers in the past two years

The Company is a chain pharmacy channel and our major purchases are pharmaceutical companies and agents in Taiwan. No suppliers have accounted for more than 10% of all purchases.

2. Data of main sales customers in the past two years

The Company is a chain pharmacy channel and our major sales transactions are made to average consumers. No consumers have accounted for more than 10% of all sales.

(V) Table of yield value in the past two years

The Company is a chain pharmacy channel and our focus is on channel development, product sales and consultation for drug administration. We do not have production or manufacturing, hence this analysis for changes in production volume is not applicable.

(VI) Sales value of the past two years

Unit: thousand NTS

	2021				2022			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Maternity and infant products	Note 1	4,458,544	Note 1	5,534	Note 1	5,203,995	Note 1	7,766
National Health Insurance (NHI) prescription drugs		1,802,274		-		2,090,359		-
Health care supplements		2,628,085		15,398		3,807,616		22,494
Health care products		1,871,853		2,887		2,784,257		4,052
Others (Note 2)		496,126		241		643,768		338
Total		11,256,882		24,060		14,529,995		34,650

Note 1: The Company is a chain pharmacy channel and sells many types of products with varying quantities. Therefore, a consistent count of quantities sold is not possible.

Note 2: Others include living goods and foods.

III. Employee Information in the last two years and up to the date of publication of this annual report

March 31, 2023 unit: person; year; years old

Year		2021	2022	2023 As of March 31
Number of employees (persons)	Manager	19	19	19
	Logistics personnel	367	449	454
	Storefront sales	1,370	1,679	1,711
	Total	1,756	2,147	2,184
Average age		30.06	30.39	30.63
Average years of service		2.31	2.32	2.39
Education distribution ratio (%)	Ph.D.	0.11	0.09	0.09
	Masters	2.45	2.33	2.29
	College or university	82.23	82.39	82.19
	High school	14.81	14.77	14.97
	Below high school	0.40	0.42	0.46

IV. Information on Environmental Protection Expenditure

(I) According to laws and regulations, those who should apply for a pollution facility installation permit or pollution discharge permit, or should pay pollution prevention and control fees, or should set up a special environmental protection unit personnel, the situation of application, payment or establishment: the company is a distributor of pharmacy, and there is no production process, so there is no risk of pollution, so it is not applicable.

(II) Total amount of losses (including compensations) and punishments incurred by the Company due to environmental pollution in recent year up to the date of publication of the Annual Report: None.

V. Labor Relations

(I) The company's employee welfare measures, further education, training, retirement system, and its implementation, as well as the agreement between labor and capital and various employee rights and interests protection measures

1. Employee welfare measures, further education, and training

In addition to processing labor insurance and National Health Insurance for our employees in accordance with the law, the Company has also established an Employee Welfare Committee that promotes various employee benefit measures to award and to thank employees for their hard work. Employee benefits at the Company include the following types:

Type of benefit	Content
Bonus	Year-end bonus and performance-based bonus
Insurance	Labor insurance, National Health Insurance, and employee group insurance
Holidays	Special leaves, work-related injury leaves, personal leaves, sick leaves, marriage leaves, funeral leaves, maternity leaves, prenatal checkup leaves, paternity leaves, menstruation leaves, family care leaves, compensatory leaves, and pregnancy leaves
Grants and subsidies	Employee health checkup, flu vaccinations, weddings and funerals, maternity benefit, sick and emergency allowances
Recreation	Quarterly departmental luncheons, domestic and overseas trips, year-end lucky draw, coupons for answering questions during meetings
Holiday bonuses	Gift certificates on the three traditional holidays and birthday coupons
Facilities	Nursing room, employees lounge, smoking room, educational training center
Shopping	Employees can purchase products from Great Tree Pharmacy at a discounted price.

The Company gradually reformed the work environment for employees in 2017, renovated office areas and educational training classroom to provide comfortable work and learning environments. Various vending machines, coffee machine, and rice cookers are installed at the employee lounge. In addition, a nursing room has also been installed, allowing female workers to care for their families while working.

The Company set aside NT\$15,616,588 in 2022. However, due to the COVID-19 epidemic, in order to avoid flock, we failed to hold staff travel and health check. We plan to hold relevant staff welfare activities depending on the epidemic. In recent years, the Company has achieved stable revenues, and the allocations of benefits have also increased accordingly. The Employee Welfare Committee will appropriately review and adjust each benefit system to boost the morale of our employees.

The Company attaches great importance to the career development and talent cultivation of employees in order to give consideration to the long-term development of the enterprise and improve the working skills of the employees, so as to improve the

work performance and achieve the Company's business objectives. Educational training has been carried out in the following three categories:

- (1) Pre-employment training: all new recruits receive pre-work training to help them to be quickly accustomed to the work environment, understand the Company system and their rights and obligations.
- (2) On-the-job training: internal training, selected training, and training from externally commissioned instructors.
- (3) Manpower training: viewed as a long-term investment of employees, on top of various on-the-job training, the Company also adopts overseas trips, visits to famous companies in Taiwan and attending various meetings, or job rotations in employee training.

2022 Educational Training Programs:

Name of course	Total sessions (1)	Hours per session (2)	Total hours organized (1)*(2)	Total participants trained
(Online) courses for new employees	12	8	96	745
(Online) professional courses	12	36	432	1,374
(Online) partition courses	22	3	66	2,038
(Online) courses for all	24	2	48	39,985
Total	70	-		

sional continuing studies for personnel in functions related to financial information transparency are as follow:

- (1) The Company's finance manager and representative of the accounting manager participated in the "Issuer Stock Exchange Accounting Manager Continuing Study Class" hosted by the Accounting Research and Development Foundation (ARDF) had have passed the relevant examination and continue to study toward more advanced courses.
- (2) The Audit Supervisor and the Audit Supervisory Agent of the Company participated in the "Analysis and Audit Key Points of the Regulations of the Board of Directors and Functional Committee (Audit, Remuneration)", "Practical Evolution of Financial Reporting False Significance Benchmarks and Determination of the Responsibilities of Directors and Supervisors", "In the Face of Climate Change and Sustainable Development Wave, Exploring the Impact on the Internal Control of Enterprises and Response Measures from the Perspective of ESG Risk" and "Pre-employment Training Workshop for Initial Internal Auditors of Enterprises" held by the Internal Audit Association of the Republic of China, and passed the test and continued training.

2. Retirement system and its implementation

Labor Pension Act was enacted as of July 1, 2005 and the Company adopts defined contribution plans. Employees may elect to apply for either the provisions regarding pensions in the former Labor Standards Law, or the pension system in the current Labor Pension Act and reserve the seniority prior to application of such act. For employees who meet the criteria for the act, upon actuarial accounting from a commissioned actuary, the Company will contribute 2% of the salaries payable in each month toward the pension reserve. The reserve will be deposited to the dedicated pension fund account at the Bank of Taiwan under the name of the Worker Pension Reserve Supervisory Committee and has been approved by the Taoyuan County Government. The Pension Reserve Supervisory Committee meets every three months and is responsible for the supervision and review of appropriation of pension reserve, deposit, and expenditure. The Company set aside NT\$46,594 for employees applicable to the Labor Standard Act in 2022. After July 2005, in line with the government's policy, personal pension reserve account is adopted, and the Company contributes 6% of the employee's monthly salary and deposits the amount into dedicated employee account at the Bureau of Labor Insurance. In the year of 2022, the amount allocated by the group according to the fixed allocation plan of the Labor Pension Ordinance was NT\$46,891,852.

3. Agreements between labor and capital and various measures to safeguard the rights and interests of employees

- (1) The Company's measures and regulations regarding labor relations management are all based upon relevant laws. Moreover, the Company has always maintained a self-management and full participation management style, where each department manager and his/her subordinates would effectively communicate through regular business meetings and educational training. Therefore, the Company maintains positive labor relations and has had no relevant disputes.
- (2) The Company has always been committed to caring for our employees. To prevent occupational disasters and to protect worker safety and health, the Store Development Department has established a set of "Occupational Health and Safety Work Rules," and is responsible for amendments, establishments, promotions and follow-up of occupational health and safety regulations, as well as coordinating and implementing the health inspection tasks at all stores and the head office. The Company has organized labor relations meetings and an Occupational Safety and Health Committee in accordance with relevant laws. Both employer and employees nominated 5 representatives each and regularly convene meetings to discuss worker rights, benefits, and occupational safety matters.

- (II) Losses arising as a result of labor disputes in the past two years up to the date of publishing of this annual report, and disclosure of potential losses in the current and future terms and countermeasures

Since our founding, the Company has always had a very harmonious labor relations and fluent channels of communication. The Company also organizes labor relations meetings and seminars to explain about Company policy. The management highly values opinions, needs, and questions from the workers, and strives to solve and to provide the best assistance possible. Therefore, no material labor dispute has broken out since the Company's inception. Looking to the future, under such a positive, interactive relation between the management and workers, we estimate that the chances of incurring losses due to labor disputes are very low.

VI. Information security management:

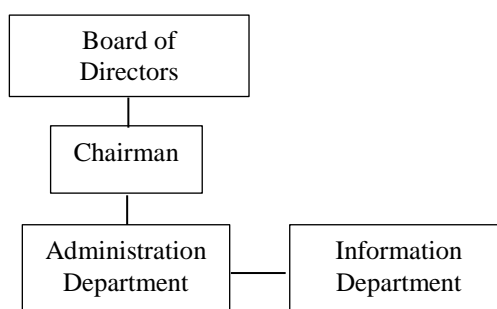
(I) Infrastructure Security Risk Management Strategy and Structure:

In order to strengthen the security management of various information assets, improve the security of data, systems, equipment and networks, ensure the correctness of the information processing of the Company, and avoid the interference, damage, intrusion or attempts of computer software, hardware, peripheral and network systems used by personnel, the Company shall formulate the ICT security management framework, strategies and specific management plans.

1. Enterprise Information Security Governance Organization

The company's information security authority is the Information Department, responsible for formulating internal information security policies, planning and implementing information security operations and information security policy promotion and implementation, and regularly reports to the chairman of the board of directors on the status of business execution.

2. Information Security Management Framework



3. Communications Security Policy

In order to implement information security management, regularly review the applicability of information security policies, the Company continuously improves information security measures, and in order to protect information asset security, establish an information asset inventory and classify and manage it, establish a control

mechanism for the entry and exit of important computer rooms, regularly conduct information security-related education and publicity, raise the information security awareness of colleagues, and urge peers to truly comply with information security regulations.

4. Specific management plan

- (1) Monitor network security: import firewall equipment, develop firewall policies to control internal and external network connections, prevent blocking such as malicious URLs and ransomware, and control applications.
- (2) The mail filtering and protection system encrypts and protects data transfers with SSL encryption.
- (3) System permissions and access control.
- (4) Data security: Regularly perform disaster recovery drills and regularly backup important data on the server and off-site backup to ensure the security and integrity of data.
- (5) Information security education and training: Regularly carry out information security education and raise employees' awareness of safety.

5. Investing in security management resources

The Information Department regularly convenes department heads to review the company's security governance policy and regularly reports to the chairman of the board on the status of security governance. In 2022, the Company invested a total of more than NT\$2,500,000 to enhance information security.

- (II) In the most recent year and as of the date of publication of the annual report, the losses suffered as a result of major information security incidents, their possible effects and countermeasures, if they cannot be reasonably estimated, shall state the facts that they cannot reasonably estimate: None.

VII. Material Contracts

Nature of contract	Person involved	Date and duration of the contract	Major content	Restrictive clauses
Taoyuan headquarters lease contract	Farmland and Water Conservancy Department of the Agricultural Committee of the Executive Yuan	2021/8/1~2026/7/31	Office lease	None
Business Alliance Contracts	Sugi Holdings Co., Ltd.	2020/11/25~2025/11/25	The Company has signed a commercial alliance agreement with Japan Sugi Pharmaceuticals. The two parties will jointly develop in the Asian region in combination with business strategies, commodity introduction, talent exchange and joint marketing, and may exclusively obtain the right to use the Sugi Pharmaceuticals authorized trademark and the right to represent the Sugi Pharmaceuticals products during the contract period.	None

Chapter 6 Financial Information

I. Condensed balance sheet and comprehensive income statement for the most recent five years

(I) Condensed balance sheet

Condensed Balance Sheet - Consolidated Information

Unit: in NT\$1,000's

Item	Year	Financial information for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		1,836,087	1,983,207	2,746,418	3,738,856	5,745,162
Property, plant and equipment (note 2)		385,621	569,754	669,788	749,832	830,729
Right-of-use assets		-	2,033,808	2,487,538	2,768,801	3,222,775
Intangible assets		3,061	20,675	18,018	20,530	27,626
Other assets (note 2)		81,019	70,636	87,660	111,845	292,177
Total assets		2,305,788	4,678,080	6,009,422	7,389,864	10,118,469
Current liabilities	Before distribution	926,252	1,548,137	2,163,859	2,813,666	3,279,158
	After distribution	973,769	1,591,621	2,217,330	2,995,908	Undistributed
Non-current liabilities		303,883	1,907,466	2,326,018	2,623,702	4,214,575
Total liabilities	Before distribution	1,230,135	3,455,603	4,489,877	5,437,368	7,493,733
	After distribution	1,277,652	3,499,087	4,543,348	5,619,610	Undistributed
Equity attributable to shareholders of parent company		1,051,736	1,200,550	1,499,262	1,931,870	2,600,328
Share capital		365,516	432,271	533,446	707,110	898,591
Capital surplus		435,799	534,710	658,506	726,345	867,945
Retained earnings	Before distribution	250,421	233,569	307,310	498,415	835,164
	After distribution	202,904	190,085	253,839	316,173	Undistributed
Other equity		-	-	-	-	(1,372)
Treasury shares		-	-	-	-	-
Non-controlling interests		23,917	21,927	20,283	20,626	24,408
Total equity	Before distribution	1,075,653	1,222,477	1,519,545	1,952,496	2,624,736
	After distribution	1,028,136	1,178,993	1,466,074	1,770,254	Undistributed

* Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

Note 1: Aforementioned financial information have all been audited by CPA.

Note 2: For those who have carried out asset revaluation, the date of the revaluation and amount of revaluation should be stated: No

Note 3: Figures after distribution shall be filled based on the resolution from the Shareholders' Meeting in the following year.

Note 4: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: None.

Condensed Balance Sheet - Individual Information

Unit: in NT\$1,000's

Item		Year	Financial information for the most recent five years (Note 1)				
			2018	2019	2020	2021	2022
Current assets			1,731,732	1,933,428	2,766,354	3,711,813	5,608,378
Property, plant and equipment (note 2)			366,741	515,196	619,583	690,429	742,243
Right-of-use assets			-	1,956,027	2,434,371	2,722,065	3,041,634
Intangible assets			3,061	20,675	18,018	18,747	26,149
Other assets (note 2)			165,276	179,974	201,992	255,165	504,705
Total assets			2,266,810	4,605,300	6,040,318	7,389,219	9,923,109
Current liabilities	Before distribution		911,430	1,565,322	2,269,720	2,888,964	3,281,810
	After distribution		958,947	1,608,806	2,323,191	3,071,206	Undistributed
Non-current liabilities			303,644	1,839,428	2,271,336	2,577,385	4,040,971
Total liabilities	Before distribution		1,215,074	3,404,750	4,541,056	5,466,349	7,322,781
	After distribution		1,262,591	3,448,234	4,594,527	5,648,591	Undistributed
Equity attributable to shareholders of parent company			1,051,736	1,200,550	1,499,262	1,931,870	2,600,328
Share capital			365,516	432,271	533,446	707,110	898,591
Capital surplus			435,799	534,710	658,506	726,345	867,945
Retained earnings	Before distribution		250,421	233,569	307,310	498,415	835,164
	After distribution		202,904	190,085	253,839	316,173	Undistributed
Other equity			-	-	-	-	(1,372)
Treasury shares			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		1,051,736	1,200,550	1,499,262	1,931,870	2,600,328
	After distribution		1,004,219	1,157,066	1,445,791	1,749,628	Undistributed

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Note 1: Aforementioned financial information have all been audited by CPA.

Note 2: For those who have carried out asset revaluation, the date of the revaluation and amount of revaluation should be stated: No

Note 3: Figures after distribution shall be filled based on the resolution from the Shareholders' Meeting in the following year.

Note 4: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: None.

(II) Condensed statement of comprehensive income

Condensed Comprehensive Income Statement - Consolidated Information

Unit: thousand NT\$ (except for EPS, which is NT\$)

Item	Year	Financial information for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Net operating revenue		4,900,729	6,601,612	8,641,394	11,280,942	14,564,645
Gross profit		1,205,746	1,595,620	2,184,730	2,943,003	4,011,128
Operating profit		124,532	142,371	225,314	492,312	861,873
Non-operating income and expenses		10,328	28,724	18,096	17,358	20,459
Profit before tax		134,860	171,095	243,410	509,670	882,332
Current net profit of continuing business unit		105,979	133,995	192,667	407,761	700,503
Other comprehensive profit or loss in the current period (Net amount after tax)		-337	-1,319	1,186	-2,428	-279
Total comprehensive income (loss)		105,642	132,676	193,853	405,333	700,224
Net income attributable to owners of the parent company		105,642	132,676	194,311	407,418	700,071
Net income attributable to non-controlling interests		-23	-1,990	-1,644	343	432
Total comprehensive income attributable to owners of the parent company		105,665	134,666	195,497	404,990	699,860
Total comprehensive income attributable to non-controlling interests		-23	-1,990	-1,644	343	364
Earnings per share (EPS) (NT\$)		1.39	1.69	2.29	4.64	7.85

* Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

Note 1: Aforementioned financial information have all been audited by CPA.

Note 2: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: None.

Note 3: Calculated based on the weighted average of shares outstanding in the current year, and retroactively adjusting the number of outstanding shares issued in the next year due to capital increase by reinvestment of surplus or paid-in capital.

Condensed Comprehensive Income Statement - Individual Information

Unit: thousand NT\$ (except for EPS, which is NT\$)

Item	Year	Financial information for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Net operating revenue		4,914,093	6,701,943	8,619,074	11,322,396	14,547,957
Gross profit		1,161,196	1,514,880	2,113,122	2,842,323	3,846,061
Operating profit		113,561	103,745	190,839	430,213	771,097
Non-operating income and expenses		16,855	56,654	38,106	61,766	87,043
Profit before tax		130,416	160,399	228,945	491,979	858,140
Current net profit of continuing business unit		106,002	135,985	194,311	407,418	700,071
Net income		106,002	135,985	194,311	407,418	700,071
Comprehensive income (loss) (net value after tax) for this period		-337	-1,319	1,186	-2,428	-211
Total comprehensive income (loss)		105,665	134,666	195,497	404,990	699,860
Net income attributable to owners of the parent company		106,002	135,985	194,311	407,418	700,071
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to owners of the parent company		105,665	134,666	195,497	404,990	699,860
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share (EPS) (NT\$)		1.39	1.69	2.29	4.64	7.85

* Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

Note 1: Aforementioned financial information have all been audited by CPA.

Note 2: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: None.

Note 3: Calculated based on the weighted average of shares outstanding in the current year, and retroactively adjusting the number of outstanding shares issued in the next year due to capital increase by reinvestment of surplus or paid-in capital.

(III) Names and audit opinions of certified public accountants for the past five years

Year	Name of accounting firm (Note)	Name of CPA (Note)	Audit opinion
2018	ERNST&YOUNG	Lo Hsiao-Chin, Cheng Ching-Piao	Unreserved opinion
2019	ERNST&YOUNG	Lo Hsiao-Chin, Cheng Ching-Piao	Paragraph on unqualified opinions and emphasis matters or paragraph on other matters
2020	ERNST&YOUNG	Lo Hsiao-Chin, Cheng Ching-Piao	Unreserved opinion
2021	ERNST&YOUNG	Lo Hsiao-Chin, Hong Mao Yi	Unreserved opinion
2022	ERNST&YOUNG	Lo Hsiao-Chin, Hong Mao Yi	Unreserved opinion

Note: CPAs were replaced in 2021 due to internal rotation of CPA in Ernst & Young.

II. Financial analysis for the most recent five years

Financial analysis for the 5 most recent years - Consolidated information

Analysis item (Note 2) /Year (Note 1)		Financial analysis for the 5 most recent years				
		2018	2019	2020	2021	2022
Financial structure	Debt-asset Ratio (%)	53.35	73.87	74.71	73.58	74.06
	Proportion of long-term capital in PP&E (%)	357.74	120.22	121.8	130.06	168.73
Solvency	Current ratio	198.23	128.1	126.92	132.88	175.2
	Quick ratio	117.75	50.57	57.76	66.04	92.57
	Interest coverage ratio	39.5	7.35	8.41	15.51	20.24
Operating performance	Receivables turnover rate (times)	15.64	18.99	26.14	28.64	32.27
	Average collection days	23	19	14	13	11
	Inventory turnover rate (times)	5.99	5.32	4.91	5.03	4.69
	Payables turnover rate (times)	5.51	5.69	6.03	5.77	5.25
	Average days for sale	61	68	74	63	78
	Property, plant, and equipment turnover rate (times)	14.69	4.42	3	3.38	3.85
	Total asset turnover rate (times)	2.55	1.89	1.62	1.68	1.66
Profitability	Return on assets (%)	5.66	4.45	4.1	6.51	8.42
	Return on equity (%)	11.26	11.66	14.05	23.49	30.61
	Ratio of profit before tax on paid-in capital (%)	36.9	39.58	45.63	72.08	98.19
	Net income ratio (%)	2.16	2.03	2.23	3.61	4.81
	Earnings per share (EPS) (NT\$)	1.39	1.69	2.29	4.64	7.85
Cash flow	Cash flow ratio (%)	14.18	14.53	33.65	38.3	37.41
	Cash flow adequacy ratio (%)	39.65	34.2	59.53	84.68	89.56
	Cash flow reinvestment ratio (%)	4.81	4.17	12.88	15.72	12.61
Leverage	Operating leverage	6.27	7.24	6.14	4.01	3.19
	Financial leverage	1	1.23	1.17	1.08	1.06

Please explain about the changes in various financial ratios in the most recent 2 years.

With respect to the changes in financial ratios of more than 20% in the years 2022 and 2021, the analysis is as follows:

1. Long-term funds accounted for an increase in property, plant and equipment compared with the previous

Analysis item (Note 2) /Year (Note 1)	Financial analysis for the 5 most recent years				
	2018	2019	2020	2021	2022
<p>period, mainly due to the issuance of convertible corporate bonds in the current year to enrich working capital.</p> <p>2. The interest coverage ratio increased compared with the previous period, mainly due to the large increase in the sales of epidemic prevention commodities and the increase in profits affected by the epidemic this year.</p> <p>3. The financial ratio related to profitability increased compared with the previous period, mainly due to the increase in profits due to the sharp increase in the sales of epidemic prevention commodities affected by the epidemic this year.</p> <p>4. The decrease in operating leverage compared to the previous period is mainly due to the impact of the epidemic this year, and the demand for products with higher gross margins such as epidemic prevention products has increased, resulting in an increase in operating profit.</p>					

* In case a separate Individual Financial Statements is compiled, the company should also prepare a separate financial ratio analysis for the Individual Financial Statements.

Financial analysis for the 5 most recent years - Individual information

Analysis item (Note 2) /Year (Note 1)		Financial analysis for the 5 most recent years				
		2018	2019	2020	2021	2022
Financial structure	Debt-asset Ratio (%)	53.6	73.93	75.18	73.89	73.8
	Proportion of long-term capital in PP&E (%)	369.57	123.02	123.47	132.14	175.52
Solvency	Current ratio	190	123.52	121.88	128.48	170.89
	Quick ratio	127.73	65.75	66.91	74.95	100.99
	Interest coverage ratio	38.2	7.2	8.15	15.26	20.23
Operating performance	Receivables turnover rate (times)	10.92	11.83	14.41	16.43	17.66
	Average collection days	33	31	25	22	21
	Inventory turnover rate (times)	7.92	7.19	6.16	6.13	5.62
	Payables turnover rate (times)	5.59	5.78	5.61	5.41	5.11
	Average days for sale	46	51	59	68	65
	Property, plant, and equipment turnover rate (times)	15.64	4.72	3.12	3.5	4.04
	Total asset turnover rate (times)	2.58	1.95	1.62	1.69	1.68
Profitability	Return on assets (%)	5.72	4.56	4.13	6.47	8.5
	Return on equity (%)	11.42	12.08	14.39	23.75	30.89
	Ratio of profit before tax on paid-in capital (%)	35.68	37.11	42.92	69.58	95.5
	Net income ratio (%)	2.16	2.03	2.25	3.6	4.81

Analysis item (Note 2) /Year (Note 1)	Financial analysis for the 5 most recent years					
	2018	2019	2020	2021	2022	
Earnings per share (EPS) (NT\$)	1.39	1.69	2.29	4.64	7.85	
Cash flow	Cash flow ratio (%)	12.93	14.17	31.98	36.62	35
	Cash flow adequacy ratio (%)	41.71	39.65	66.41	91.39	95.56
	Cash flow reinvestment ratio (%)	4.1	4.29	13.15	15.72	12.13
Leverage	Operating leverage	6.81	9.75	7.07	4.48	3.46
	Financial leverage	1.03	1.33	1.2	1.09	1.06

Please explain about the changes in various financial ratios in the most recent 2 years.

With respect to the changes in financial ratios of more than 20% in the years 2022 and 2021, the analysis is as follows:

1. Long-term funds accounted for an increase in property, plant and equipment compared with the previous period, mainly due to the issuance of convertible corporate bonds in the current year to enrich working capital.
2. The interest coverage ratio increased compared with the previous period, mainly due to the large increase in the sales of epidemic prevention commodities and the increase in profits affected by the epidemic this year.
3. The financial ratio related to profitability increased compared with the previous period, mainly due to the increase in profits due to the sharp increase in the sales of epidemic prevention commodities affected by the epidemic this year.
4. The decrease in operating leverage compared to the previous period is mainly due to the impact of the epidemic this year, and the demand for products with higher gross margins such as epidemic prevention products has increased, resulting in an increase in operating profit.

Note 1: aforementioned financial information have all been audited by CPA.

Note 2: calculation formula shall be included at the end of this table on the Annual Report:

1. Financial structure
 - (1) Debt-asset Ratio = Total Liabilities/Total Assets.
 - (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
 - (1) Current Ratio = Current Assets/Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses)/Current Liabilities.
 - (3) Interest Coverage Ratio = Net Profit before Tax and Interest/Interest Expenses.
3. Operating performance
 - (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
 - (2) Average Collection Days = 365/Receivables Turnover Rate.
 - (3) Inventory Turnover Rate = Cost of Sales/Average Inventory.
 - (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
 - (5) Average Days for Sale = 365/Inventory Turnover Rate.
 - (6) Property, Plant, and Equipment Turnover Rate = Net Sales/Average Net Property, Plant, and Equipment.
 - (7) Total Asset Turnover Rate = Net Sales/Average Total Assets.
4. Profitability
 - (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)]/Average total asset value.
 - (2) Return on equity = net income after tax/average equity
 - (3) Net margin = net income/net sales.
 - (4) Earnings per share = (net income (loss) attributable to owners of parent company – dividends on

preferred shares)/weighted average number of issued shares.

5. Cash flow

(1) Cash flow ratio = net operating cash flow/current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/ (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash re-investment ratio = (Net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital).

6. Leverage:

(1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) /Operating Income.

(2) Financial Leverage = Operating Income/ (Operating Income - Interest Expenses).

Note 3: Special attention shall be paid to the following matters when using the calculation formula of Earnings per Share above:

1. It shall be based on the weighted average number of ordinary shares, not the number of shares issued at the end of the year.
2. Companies who had cash increase or treasury share transaction should consider the circulation period in calculation of weighted average number of shares.
3. Companies that have transferred surplus or paid-in capital to capital increase shall be retrospectively adjusted according to the proportion of capital increase when calculating the earnings per share (EPS) for the previous year or six-month period, and need not to consider the issuance period of the capital increase.
4. If the preferred stocks are nonconvertible cumulative preferred stocks, its dividend of the year (whether is being distributed or not) shall add or subtract the net loss from the net income. If the preferred stocks are non-accumulative in nature, in case of net income after tax, dividend from preferred stocks should be deducted from the net income after tax. This adjustment is not necessary in case of deficit.

Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to cash outflow due to capital investment in each year.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for ordinary shares and special shares.
5. Gross property, plant and equipment are the total amount of real estate, plant and equipment before deducting accumulated depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment, the company should pay attention to its reasonableness and maintain consistency.

Note 6: If the company's shares do not bear nominal value or if the nominal value is not NT\$10, the aforementioned calculation of paid-in capital will be calculated based on the equity ratio of the balance sheet to the owner of the parent company.

Note 7: No interest expense was incurred, hence relevant ratios are not stated.

Note 8: Cash flow from operating activities was a negative figure and does not have comparative meaning. Hence relevant ratios are not stated

III. Audit Report on the financial report for the most recent year from the supervisors or audit committee

Great Tree Pharmacy Co., Ltd. Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2021 Business Report, Financial Statements and the Proposal for Appropriation of Net Income, among which the Financial Statements have been audited by CPAs Lo Hsiao Chin and Hung Mao I from EY Taiwan, by whom an Audit Report has been issued accordingly.

The aforementioned Business Report, Financial Statements and Proposal for Appropriation of Net Income have been examined and reviewed by the Audit Committee, and no irregularities were found. According to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please review.

To

Great Tree Pharmacy Co., Ltd. 2022 Annual Shareholders' Meeting

Liu Tian Dao, Convener of the Audit Committee

IV. CPA's Audit Report on the Financial Statements for the Most Recent Year

Company Statement

The entities that are required to be included in the Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the Combined Financial Statements is included in the Consolidated Financial Statements. Consequently, Great Tree Pharmacy Co., Ltd. and Subsidiaries do not prepare a separate set of Consolidated Financial Statements.

We hereby declare and affirm to the statement above

Company Name: Great Tree Pharmacy Co.,
Ltd

Person in charge: Cheng Ming Lung

February 23, 2023

Independent Auditors' Report

To Great Tree Pharmacy Co., Ltd.,

Audit Opinion

We have audited the accompanying Consolidated Balance Sheets of Great Tree Pharmacy Co., Ltd. (the “Company”) and its subsidiaries as of December 31, 2022 and December 31, 2021, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years ended December 31, 2022 and December 31, 2021, as well as Notes to the Consolidated Financial Statements, including the Summary of Significant Accounting Policies (together “the Consolidated Financial Statements”).

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and December 31, 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and December 31, 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee, or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 Consolidated Financial Statements. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Great Tree Pharmacy Co., Ltd. and its subsidiaries recognized operating revenue of NT\$14,564,645 thousand in 2022. Since the Group’s sources of revenue include different selling models such as retail transactions at pharmacies and revenue from management services and more, the judgment

over performance obligation and the timing of its fulfillment over customer orders or contracts was needed, therefore leading to significant risk of revenue recognition. Hence, we have decided to include this as a key audit matter. Our audit procedures include (but are not limited to): understanding each selling model, evaluating the appropriateness of revenue recognition policy related to obligation fulfillment under each model, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle, conducting detailed testing by sampling the sales receipts, and conducting analytical review procedure and carrying out cut-off tests and more. Our accountants have also considered the appropriateness of operating revenue disclosure identified in Note 6 of the Consolidated Financial Statements.

Inventory Valuation

As of December 31, 2022, the net inventory of Great Tree Pharmacy Co., Ltd. and its subsidiaries was NT\$2,632,098 thousand, accounting for 26% of the consolidated total asset. Main businesses of Great Tree Pharmacy Co., Ltd. and its subsidiaries include trading of maternity and infant products as well as various drugs. Most of their products have shelf lives, leading evaluations of allowance for inventory valuation and obsolescence loss to require material judgement from the Group's management. Therefore, this was included as a key audit matter. Our audit procedures include (but are not limited to): evaluating the appropriateness of the policy of allowance for inventory valuation and obsolescence loss, evaluating the management method for near expiring goods and identification of expired inventory and testing the effectiveness of the relevant internal control, sampling the inventory aging report to test its accuracy and selecting significant inventory location for physical inventory observation and count, and inspecting current inventory and utilization status and more. We have also taken the appropriateness of inventory disclosure in Note 5 and Note 6 in the Notes to Consolidated Financial Statements into consideration.

Responsibility of the management and the governing body for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

The governing bodies of Great Tree Pharmacy Co., Ltd. and its subsidiaries (including the Audit Committee) have the responsibility to oversee the financial reporting process.

Responsibilities of the CPA in Auditing the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Material misstatement may result from fraud or error. A misstatement can be considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Group's audit and responsible for forming audit opinions on the Group.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 Consolidated Financial Statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have also audited and expressed unqualified opinions on the Parent Company Only Financial Statements of the Company as of and for the years ended December 31, 2022 and December 31, 2021.

Ernst & Young

Financial Report of TWSE Listed Company as Authorized by
the Competent Authority

Auditing and Attestation No. (2017) FSC No. 1060026003
No. (1998)TCZ(VI)65315

Certified Public Accountant (CPA)

Lo Hsiao Chin
Mars Hong

February 23, 2023

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Asset			December 31, 2022		December 31, 2021	
Code	Accounting item	Note	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4 and 6.1	\$2,458,409	24	\$1,308,469	18
1136	Financial assets measured at amortized cost	4, 6.4 and 8	24,000	1	24,000	1
1150	Notes receivable, net	4 and 6.5	2,052	-	2,144	-
1170	Net accounts receivable	4 and 6.6	428,696	4	468,728	6
1200	Other receivables		114,634	1	44,412	1
1300	Inventory	4 and 6.7	2,632,098	26	1,839,468	25
1410	Prepayments		77,500	1	41,137	1
1470	Other current assets		7,773	-	10,498	-
	Total current assets		5,745,162	57	3,738,856	52
15xx	Non-current assets					
1510	Financial assets measured at fair value through profit and loss	4, 6.2 and 6.13	1,620	-	-	-
1517	Financial assets at fair value through other comprehensive income (loss)	4 and 6.3	48,833	1	-	-
1535	Financial assets measured at amortized cost	4, 6.4 and 8	3,000	-	3,000	-
1600	Property, plant, and equipment	4 and 6.8	830,729	8	749,832	10
1755	Right-of-use assets	4 and 6.19	3,222,775	32	2,768,801	37
1780	Intangible assets	4 and 6.9	27,626	-	20,530	-
1840	Deferred tax assets	4 and 6.23	25,880	-	11,828	-
1900	Other non-current assets	6.10	212,844	2	97,017	1
	Total non-current assets		4,373,307	43	3,651,008	48
1xxx	Total assets		\$10,118,469	100	\$7,389,864	100

(Please see the accompanying Notes to the Consolidated Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Balance Sheets (continued)

As of December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Liabilities and Equity		December 31, 2022		December 31, 2021	
	Accounting item	Note	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	6.11	\$-	-	\$370,000	5
2130	Contract liabilities	4 and 6.17	16,451	-	11,902	-
2150	Notes payable		765,473	8	584,117	8
2170	Accounts payable		1,535,533	15	1,138,318	15
2200	Other payables	4, 6.12 and 6.14	391,984	4	295,222	4
2230	Tax liabilities for this period	4 and 6.23	140,397	1	78,312	1
2280	Lease liabilities	4 and 6.19	401,958	4	309,123	4
2300	Other current liabilities		27,362	-	26,672	1
	Total current liabilities		3,279,158	32	2,813,666	38
25xx	Non-current liabilities					
2530	Bonds payable	4 and 6.13	1,167,392	12	-	-
2572	Deferred income tax liabilities	4 and 6.23	1,628	-	-	-
2580	Lease liabilities	4 and 6.19	2,949,493	29	2,562,052	35
2640	Net defined benefit liabilities	4 and 6.14	4,307	-	5,645	-
2645	Guarantee deposits		91,755	1	56,005	1
	Total non-current liabilities		4,214,575	42	2,623,702	36
2xxx	Total liabilities		7,493,733	74	5,437,368	74
31xx	Equity attributable to shareholders of parent company					
3100	Share capital	6.15				
3110	Ordinary share capital		891,352	9	700,431	9
3140	Prepaid share capital		7,239	-	6,679	-
3200	Capital surplus	6.15	867,945	9	726,345	10
3300	Retained earnings	6.15				
3310	Legal capital reserve		133,468	1	92,969	1
3350	Unappropriated earnings		701,696	7	405,446	6
3400	Other equity		(1,372)	-	-	-
36xx	Non-controlling interests		24,408	-	20,626	-
3xxx	Total equity		2,624,736	26	1,952,496	26
	Total liabilities and equity		\$10,118,469	100	\$7,389,864	100

(Please see the accompanying Notes to the Consolidated Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars, except for earnings per share)

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	4 and 6.17	\$14,564,645	100	\$11,280,942	100
5000	Operating costs		(10,553,517)	(72)	(8,337,939)	(74)
5900	Gross profit		4,011,128	28	2,943,003	26
6000	Operating expenses					
6100	Selling and marketing expenses		(2,719,124)	(19)	(2,100,411)	(19)
6200	General and administrative expenses		(430,320)	(3)	(350,364)	(3)
6450	Expected credit (loss) gain	4 and 6.18	189	-	84	-
	Total operating expenses		(3,149,255)	(22)	(2,450,691)	(22)
6900	Operating profit		861,873	6	492,312	4
7000	Non-operating income and expenses					
7100	Interest income	6.21	4,323	-	737	-
7010	Other income	6.21	48,257	-	51,597	1
7020	Other gains and losses	6.21	13,727	-	154	-
7050	Financing costs	6.21	(45,848)	-	(35,130)	-
	Total non-operating income and expenses		20,459	-	17,358	1
7900	Net profit before tax		882,332	6	509,670	5
7950	Income tax expenses	4 and 6.23	(181,829)	(1)	(101,909)	(1)
8200	Net income		700,503	5	407,761	4
8300	Other comprehensive income (loss)	4 and 6.22				
8310	Items that will not be reclassified to profit or loss:					
8311	Remeasurement of defined benefit plans		1,161	-	(2,428)	-
8316	Unrealized gain (loss) from investments in equity instruments measured at fair value through other comprehensive income (loss)		(1,167)	-	-	-
8360	Items that may subsequently be reclassified to profit or loss					
8361	Exchange differences translated from the financial statements of foreign operations		(273)	-	-	-
	Comprehensive income (loss) (net value after tax) for this period		(279)	-	(2,428)	-
8500	Total comprehensive income (loss)		\$700,224	5	\$405,333	4
8600	Net income attributable to:					
8610	Owners of the parent company		\$700,071	5	\$407,418	4
8620	Non-controlling interests		432	-	343	-
			\$700,503	5	\$407,761	4
8700	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$699,860	5	\$404,990	4
8720	Non-controlling interests		364	-	343	-
			\$700,224	5	\$405,333	4
	Earnings per share (EPS) (NT\$)					
9750	Basic EPS	4 and 6.24	\$7.85		\$4.64	
9850	Diluted EPS	4 and 6.24	\$7.59		\$4.48	

(Please see the accompanying Notes to the Consolidated Financial Statements)
General Manager: Cheng Ming-Lung

Chairman: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

		Equity attributable to shareholders of parent company									
		Retained earnings				Other equity items			Total	Non-controlling interests	Total equity
Item		Share capital	Prepaid share capital	Capital surplus	Legal capital reserve	Unappropriated earnings	Exchange differences translated from the financial statements of foreign operations	Unrealized (loss) gain on financial assets measured at fair value through other comprehensive profit or loss			
Code		3100	3140	3200	3310	3350	3410	3420	31XX	36XX	3XXX
A1	Balance as of January 1, 2021	\$530,659	\$2,787	\$658,506	\$73,419	\$233,891	\$-	\$-	\$1,499,262	\$20,283	\$1,519,545
	Appropriation of earnings in 2020										
B1	Legal capital reserve				19,550	(19,550)			-		-
B5	Cash dividends					(53,471)			(53,471)		(53,471)
B9	Share dividends	160,414				(160,414)			-		-
D1	2021 net income					407,418			407,418	343	407,761
D3	Other comprehensive income (loss) in 2021					(2,428)			(2,428)	-	(2,428)
D5	Total comprehensive income (loss)					404,990			404,990	343	405,333
I1	Convertible corporate bond conversion	9,358	(2,787)	32,207					38,778		38,778
N1	Share-based payment transactions		6,679	29,459					36,138		36,138
T1	Others - issuance of employee stock options			6,173					6,173		6,173
Z1	Balance as of December 31, 2021	700,431	6,679	726,345	92,969	405,446	-	-	1,931,870	20,626	1,952,496
	Appropriation of earnings in 2021										
B1	Legal capital reserve				40,499	(40,499)			-		-
B5	Cash dividends					(182,242)			(182,242)		(182,242)
B9	Share dividends	182,241				(182,241)			-		-
C5	Recognized equity components arising from the issuance of convertible bonds - stock options			97,348					97,348		97,348
D1	2022 net income					700,071			700,071	432	700,503
D3	Other comprehensive income (loss) in 2022					1,161	(205)	(1,167)	(211)	(68)	(279)
D5	Total comprehensive income (loss)					701,232	(205)	(1,167)	699,860	364	700,224
N1	Share-based payment transactions	8,680	560	37,508					46,748		46,748
O1	Increase or decrease in non-controlling interest									3,418	3,418
T1	Others - issuance of employee stock options			6,744					6,744		6,744
Z1	Balance as of December 31, 2022	\$891,352	\$7,239	\$867,945	\$133,468	\$701,696	\$(205)	\$(1,167)	\$2,600,328	\$24,408	\$2,624,736

(Please see the accompanying Notes to the Consolidated Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

		2022	2021			2022	2021
Code	Item	Amount	Amount	Code	Item	Amount	Amount
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for the period	\$882,332	\$509,670	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(50,000)	-
A20000	Adjustment items:			B02700	Acquisition of property, plant and equipment	(302,684)	(248,449)
A20010	Adjustments:			B02800	Disposal of property, plant and equipment	7,364	3,286
A20100	Depreciation expense (including right-of-use assets)	601,284	495,492	B03700	(Increase) decrease in deposits	(107,179)	(17,229)
A20200	Amortization expenses	5,984	3,523	B04500	Acquisition of intangible assets	(13,080)	(6,035)
A20300	Amount of expected credit impairment loss (gain)	-	(84)	BBBB	Net cash inflow (outflow) from investing activities	(465,579)	(268,427)
A20400	Net loss (gain) on financial assets measured at fair value through profit or loss	434	-	CCCC	Cash flow from financing activities:		
A20900	Interest expenses	45,848	35,130				
A21200	Interest income	(4,323)	(737)	C00200	Decrease in short-term loans	(370,000)	-
A21900	Cost of share-based payments	6,744	6,173	C00130	Repayments of bonds	-	(2,000)
A22500	Loss on disposal of property, plant, and equipment	(1,123)	(101)	C01200	Issuance of corporate bonds	1,257,088	-
A29900	Other items — gain on lease modification	(502)	(2,598)	C03000	Increase (decrease) in guarantee deposits received	35,750	15,816
A30000	Changes in assets/liabilities related to operating activities:			C04020	Repayment of principal on loan	(401,665)	(333,049)
A31130	(Increase) decrease in notes receivable	92	2,373	C04500	Cash dividends	(182,242)	(53,471)
A31150	(Increase) decrease in accounts receivable	(52,988)	(157,530)	C04800	Employees exercising share option	46,748	36,138
A31180	(Increase) decrease in other receivables	22,801	26,613	C05800	Changes in non-controlling interests	3,418	-
A31200	(Increase) decrease in inventories	(792,630)	(377,223)	CCCC	Net cash inflow (outflow) from financing activities	389,097	(336,566)
A31230	(Increase) decrease in prepayments	(36,363)	(6,879)				
A31240	(Increase) decrease in other current assets	2,725	(7,041)	DDDD	Effect of changes in exchange rate on cash and cash equivalents	(273)	-
A32125	Increase (decrease) in contract liabilities	4,549	3,798				
A32130	Increase (decrease) in notes payables	181,356	233,794	EEEE	Amount of Increase (decrease) in cash and cash equivalents for the period	1,149,940	472,667
A32150	Increase (decrease) in accounts payables	397,215	318,645	E00100	Beginning balance of cash and cash equivalents	1,308,469	835,802
A32180	Increase (decrease) in other payables	94,737	58,020	E00200	Ending balance of cash and cash equivalents	\$2,458,409	\$1,308,469
A32230	Increase (decrease) in other current liabilities	690	3,162				
A32240	Increase (decrease) in net defined benefit liabilities	(177)	(208)				
A33000	Cash inflow (outflow) from operating activities	1,358,685	1,143,992				
A33100	Interest received	4,323	737				
A33300	Interest paid	(4,143)	(3,595)				
A33500	Income tax paid	(132,170)	(63,474)				
AAAA	Net cash inflow (inflow) from operating activities	1,226,695	1,077,660				

(Please see the accompanying Notes to the Consolidated Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Company Overview

Great Tree Pharmacy Co., Ltd. (hereinafter referred to as "the Company") was authorized to be established on May 15, 2001. Our main businesses include management and trade of various drugs, health supplements, maternity and infant products, and cosmetics products. We also provide coordinated medicine procurement services to various clinics, outpatient centers, and medical communities. Besides, we are also an agency for domestic and foreign health care products sold in clinics, outpatient centers, and medical communities.

The Company's initial public offering (IPO) was on March 29, 2016 at the Taipei Exchange (TPEX). The Company's registered address and the main business operating site is at No.143, Chengzhang 4th Street, Zhongli District, Taoyuan City.

2. Dates and Procedures of Approving Financial Statements

The 2022 and 2021 Consolidated Financial Statements of the Company and its subsidiaries (hereinafter referred to as "the Group") have been approved and announced by the Board of Directors on February 23, 2023.

3. Applicability of New and Amended Accounting Principles and Explanations

- a. Changes in accounting policy from the first-time adoption of International Financial Reporting Standards (IFRS):

The Group has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application since January 1, 2022. The first-time application has had no significant impact on the Group.

- b. As of the approval and announcement date of the financial statements, the Group has not yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

c.

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Disclosure Initiative - Accounting Policies (amendment to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
3	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendment to IAS 12)	January 1, 2023

- 1) Disclosure Initiative - Accounting Policies (amendment to IAS 1)
The objective of the amendment was to improve accounting policy disclosures and help stakeholders provide more relevant information for investors and primary users of financial statements.
- 2) Definition of Accounting Estimates (amendment to IAS 8)
The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to help entities distinguish changes in accounting estimates from changes in accounting policies.
- 3) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendment to IAS 12)
This amendment narrows down the scope of exemption on deferred tax recognition in Paragraphs 15 and 24 in IAS 12, making said exemption inapplicable to the same amount of taxable and deductible temporary difference that arises during initial recognition.

For the aforementioned international accounting standards or interpretations announced by the IASB and have been approved by the FSC commencement from January 1, 2023. The Group has evaluated that the aforementioned newly announced or amended standards or interpretations do not pose material effects on the Group.

- d. As of the approval and announcement date of the financial statements, the Group has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) but have not been approved by the FSC as either newly announced, amended, standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending resolution from the IASB
2	IFRS 17 - Insurance Contracts	January 1, 2023
3	Liabilities classified as current or non-current (amendment to IAS 1)	January 1, 2024
4	Lease liabilities of sales and leaseback (amendment to IFRS 6)	January 1, 2024
5	Non-current liabilities in contracts (amendment to IAS 1)	January 1, 2024

- 1) Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This project addresses the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. IAS 28 requires that gains and losses resulting from upstream and downstream transactions between an investor and its associate or a joint venture should only be recognized to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires that any investment the parent has in the former subsidiary after control is lost should be measured at fair value and that any resulting gain or loss should be recognized in profit or loss. These amendments prohibit the aforementioned regulations from IAS 28; when the loss of control of a business, as defined in IFRS 3 occurs, all gains or losses arising from which shall be recognized.

These amendments also revise IFRS 10 in which a partial gain or loss should be recognized in accounting for the sale or contributions of assets or subsidiaries that do not constitute a business between an investor and its associate or joint venture as defined in IFRS 3.

- 2) IFRS 17 - Insurance Contracts

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the carrying amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided.

This standard was issued in May 2017 and was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim standard - IFRS 4 Insurance Contracts - from annual reporting periods beginning on or after January 1, 2023.

3) Liabilities classified as current or non-current (amendment to IAS 1)

This amendment targets sections 69-76 in IAS 1 -Presentation of Financial Statements concerning the classification of liability as either current or non-current.

4) Lease liabilities of sales and leaseback (amendment to IFRS 6)

This is an additional accounting treatment for IFRS 16 "Leases" for an increase in sales and leaseback transactions of sellers and lessees to ensure consistent application of the standard.

5) Non-current liabilities in contracts (amendment to IAS 1)

This amendment enhances the information on long-term liabilities contracts provided by enterprises. It describes the contractual obligations to be complied with for the 12 months after the reporting period without affecting the classification of these liabilities as current or non-current at the end of the reporting period.

For the aforementioned standards or interpretations announced by the IASB but have not yet been approved by the FSC, the actual adoption date will be made in accordance with the FSC. The Group has evaluated that the aforementioned newly announced or amended standards or interpretations do not pose material effects on the Group.

4. Explanations of Major Accounting Policies

a. Declaration of compliance

The Group's 2022 and 2021 Consolidated Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) as approved and announced by the Financial Securities Committee (FSC).

b. Basis of preparations

Besides the financial instruments measured at fair value, the Consolidated Financial Statements are prepared on the basis of historical costs. Unless otherwise specified, the Consolidated Financial Statements are denoted in thousands of New Taiwan Dollars (NT\$1,000).

c. Overview of consolidation

Principles of preparing the Consolidated Financial Statements

When the Company is exposed to the varied remunerations participated by the investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the controlling is achieved. The Company will only have control over the investee when the following three criteria of control have been met:

- 1) Right over the investee (i.e. existing right granted to the investor to lead relevant activities)
- 2) Risk exposure or right to variable compensations from participation in investees, and
- 3) Capability to effect monetary compensations for investors by using its influence and right over the investee.

When the Company directly or indirectly holds minority voting rights or other similar rights in an investee, the Company will consider all relevant facts and conditions to evaluate whether it has rights over the investee, including:

- 1) Contractual agreements with other holders of voting rights over the investee
- 2) Rights arising from other contractual agreements
- 3) Voting rights and potential voting rights

When facts and conditions indicate that changes to one or more of the following criteria for control have occurred, the Company will immediately re-evaluate whether it still has control over the investee.

Starting from the acquisition date (when the Company obtains control), the subsidiary will be completely included in the Consolidated Financial Statements until the control over the subsidiary is lost. The accounting cycle and accounting policy of the subsidiary's financial statements will follow those of the parent company. All balances and transactions in the Group and unrealized internal gains and losses arising from internal transactions within the Group and dividends will be completely written off.

If control over the subsidiary is not lost, changes in shares held in the subsidiary will be treated as equity transactions.

A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

If the Company's control over the subsidiary is lost, then:

- 1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
- 2) Carrying amount of any non-controlling interests will be derecognized;
- 3) Fair value of the considerations acquired will be recognized;
- 4) Fair value of any retained investments will be recognized;

- 5) Any gains or losses will be recognized as income or loss in the period;
- 6) Amounts recognized in other comprehensive income by the parent company will be reclassified as gains or losses in the period.

The consolidated entities are listed as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%)		
			2022.12.31	2021.12.31	Explanation
The Company	Ivy Biotechnology Co., Ltd.	Wholesale and retail business	100%	100%	None
The Company	Bai-Lin Logistics Co., Ltd.	Wholesale and retail business	100%	100%	None
The Company	Great Tree Pets Co., Ltd.	Wholesale and retail business	100%	100%	None
The Company	Greattree Pharmacy Hong Kong Limited	Investment business	100%	-	Note 1
The Company	GREAT TREE INTERNATIONAL SDN. BHD.	Wholesale and retail business	75%	-	Note 2
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Real estate sales and lease	60%	60%	None
Greattree Pharmacy Hong Kong Limited	Greattree Sugi Pharmacy Hong Kong Limited	Investment business	60%	-	Note 1

Note 1: On November 11, 2021, the company was resolved by board of directors to expand its business in mainland China:

- 1) Greattree Pharmacy Hong Kong Limited, a wholly-owned subsidiary, was established by direct investment of the Company and registered on April 8, 2022. As of December 31, 2022, the amount of investment has not yet been remitted.
- 2) Greattree Sugi Pharmacy Hong Kong Limited was established by Greattree Pharmacy Hong Kong Limited with a shareholding ratio of 60%. The registration was completed on October 26, 2022. As of December 31, 2022 the investment amount has not yet been remitted.

Note 2: On May 12, 2022, the Board of Directors of the Company resolved to invest NT\$10,256 thousand in GREAT TREE INTERNATIONAL SDN. BHD. for the purpose of developing overseas business.

d. Foreign currency transaction

The functional currency of the Group's Consolidated Financial Statements is New Taiwan Dollar (NT\$). Every entity within the Group will decide its own functional currency, and to measure its financial statements using said functional currency.

Transactions in foreign the currencies from the consolidated entities are recorded by their respective functional currency rates at the date of the transaction. At the end of every reporting period, items denoted in foreign currencies will be translated at the closing exchange rate of the day. Non-monetary foreign currency items measured at fair value will be translated using the exchange rate on the date when the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate of the date of the transaction.

Except for the following items, exchange differences resulting from delivery or exchange of monetary items will be recognized as gain or loss as they occur:

- 1) For foreign currency loans that arise from acquisition of assets that meet the requirements, if the resulting exchange differences are treated as adjustments of the interest capital, which is a component of the cost of loans, they will be capitalized as the cost of the asset.
- 2) Foreign currency items within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
- 3) Monetary items that construe part of the net investments for overseas operations in the Parent Company Only Financial Statements. When translation differences that arise are recognized as other comprehensive income (loss), it will be reclassified to gain or loss from equity when the net asset is disposed.

When gains or losses from non-monetary items are recognized as other comprehensive income (loss), any translation component from such gain or profit will be recognized as other comprehensive income. When gains or losses from non-monetary items are recognized as loss, any translation component from such gain or profit will be recognized as loss.

e. Standard of classifying assets and liabilities as either current or non-current

When any of the following conditions occur, the item will be classified as a current asset, and when it is not a current asset, it will be classified as a non-current asset:

- 1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- 2) Asset is held for trading purposes.
- 3) The asset is due to be realized within 12 months after the reporting period.

- 4) It is cash or cash equivalent, except where the asset is exchanged or used to settle liabilities at least 12 months after the reporting period.

When any of the following conditions occur, the item will be classified as a current liability, and when it is not a current liability, it will be classified as a non-current liability:

- 1) The liability is expected to be settled during normal business cycle.
- 2) Liability is held for trading purposes.
- 3) The liability is due to be settled within 12 months after the reporting period.
- 4) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Settlement of liabilities may be made by the issue of equity instruments based on transaction party's choice, and will not impact classification.

f. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposit, short-term and highly liquid investments that can be immediately converted to fixed amount of cash with very small risks of valuation changes (including contract-based fixed deposits of less than 3 months).

g. Financial instruments

Financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are recognized initially at fair value and the transaction costs directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss) are derived by addition or subtraction from the fair value of assets and financial liabilities.

1) Recognition and valuation of financial assets

The accounting treatment for recognition and derecognition of all customary trading of financial assets of the Group is made on the settlement date.

The Group classifies financial assets as either financial assets subsequently measured at amortized costs, measured at fair value through other comprehensive income (loss), or measured at fair value through profit or loss:

- a) Business model used in managing the financial assets
- b) Characteristics of the contractual cash flows from the financial asset

Financial assets measured at amortized cost

Financial assets that meet the following two conditions will be measured at cost after amortization, and will be listed in the balance sheet under one of the following items: notes payable, accounts receivable, financial assets measured at amortized cost and other receivables:

- a) Business model used in managing the financial assets: financial asset is held to receive contractual cash flows
- b) Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

Such financial assets (excluding hedging relationships) will be measured at subsequent amortized cost {amount measured at the time of initial recognition, less the principal repaid, and add or subtract the accumulated amortized difference (using effective interest method) between the original amount and the amount due, and by adjusting allowances for loss}. When derecognizing, through amortization procedure, or recognizing impairment gain or loss, the gain or loss will be recognized as profit or loss.

Interest calculated through effective interest method (multiplying effective interest with the total book value of the financial asset) or the following conditions will be recognized in profit or loss:

- a) If it is a purchased or originated credit-impaired financial asset, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets
- b) If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

Financial assets at fair value through other comprehensive income (loss)

Financial assets that meet both of the following criteria will be measured at fair value through other comprehensive income (loss), and stated on the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss):

- a) Business model used in managing the financial assets: financial asset is held to receive contractual cash flows and for sale of financial asset
- b) Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

Recognition of gain or loss related to such financial assets will be explained as follows:

- a) Prior to derecognition or reclassification, except for impairment interest or loss, exchange gain or loss will be recognized in the profit or loss, and its gain or loss will be recognized in other comprehensive income (loss)
- b) During derecognition, accumulated gain or loss recognized in other comprehensive income (loss) will be reclassified from equity to profit or loss as

adjustments for reclassification

- c) Interest calculated through effective interest method (multiplying effective interest with the total book value of the financial asset) or the following conditions will be recognized in profit or loss:
 - i. If it is a purchased or originated credit-impaired financial asset, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets
 - ii. If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business consolidation in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in profit or loss, unless such dividends clearly represent a portion of the investment cost.

Financial assets measured at fair value through profit or loss

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income, financial assets are all measured at fair value through profit or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

2) Impairments of Financial Assets

For the debt instrument investment measured at fair value through other comprehensive income (loss) and the financial assets measured at amortized cost, the Group recognizes expected credit losses and measures allowances for loss. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced.

The Group measures expected credit loss by reflecting the following methods:

- a) Unbiased and probability-weighted amount determined by evaluating each

possible outcome

- b) The time value of money
- c) Reasonable and corroborative information related to past events, current conditions, and future economic forecasts (can be obtained at no excessive cost or input on the Balance Sheet date)

Method for valuating allowance for loss is as follows:

- a) Measure the expected credit loss over the next 12 months: including financial asset without significant increase in credit risk after initial recognition, or those ruled to have low credit risk on the Balance Sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significantly increased since the original recognition on the Balance Sheet date.
- b) Measurement of the amount of lifetime expected credit losses: including financial asset with significant increase in credit risk after initial recognition or purchased or originated credit-impaired financial asset with credit impairment.
- c) For accounts receivable or contractual asset arising from transactions within the scope of IFRS 15, the Group adopts lifetime expected credit loss to measure allowance for loss.

On each Balance Sheet date, the Group uses comparisons between the changes of default risk on the Balance Sheet date and on the date of initial recognition to measure whether there has been a significant increase in the financial instrument's credit risk after initial recognition. Additionally, please refer to Note 12 for information related to credit risk.

3) Derecognition of financial asset

The Group's financial assets will be derecognized when one of the following conditions occurs:

- a) The contractual right from the cash flow of the financial asset is terminated.
- b) When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- c) Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

4) Financial liabilities and equity instruments

Classification of liability or equity

The Group classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Group are recognized by the acquisition cost minus direct distribution costs.

Hybrid instruments

The Group recognizes the financial liabilities and equity components of the convertible corporate bonds issued in accordance with contractual terms. In addition, the conversion of corporate bonds issued is based on the assessment of whether the economic characteristics and risks of the embedded purchase and sale rights are closely related to the primary debt commodity before classifying the equity elements.

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Company do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments.

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.

When holder of the convertible corporate bonds should request to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

Financial liabilities

Financial liabilities within the scope of IFRS 9: upon initial recognition, recognition and measurement are either classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss includes available-for-sale financial liabilities and designated financial liabilities at fair value through profit and loss.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

- a) The primary purpose for acquisition of the asset is short-term sales;
- b) It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or
- c) It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

- a) It eliminates or significantly reduces a measurement or recognition inconsistency; or
- b) A group of financial assets, financial liabilities or both, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally by the consolidated company on that basis to the key management personnel.

Any gain or loss from revaluation of these financial liabilities will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial liabilities.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include accounts payables and loans, and will continue to be measured through effective interest method after initial recognition. When financial liabilities are derecognized and amortized using effective interest method, related gain or loss and amortization will be recognized in profit or loss.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

Derecognition of financial liabilities

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Group and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

h. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

- 1) Principal market of the asset or liability, or
- 2) If no principal market exists, the most favorable market for the asset or liability

The Group needs to be able to enter the principal or most favorable market in order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant's use of the asset for its highest price and best use or by selling the asset to another market participant who will use the asset for its highest price and best use to generate economic benefits.

The Group uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

i. Inventory

Inventories are evaluated on a case-by-case basis by the cost and net realizable value.

Cost refers to the cost of bringing inventory to a state of sale or availability for production and location:

Raw materials and commodities - The weighted average method is used for the actual purchase cost.

Goods in progress and finished goods - including direct raw materials and manufacturing costs; weighted average is adopted.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

j. Property, plant, and equipment

Property, plant, and equipment is recognized at the acquisition cost less accumulated depreciation and accumulated impairment. The aforementioned cost includes the dismantling of property, plant, and equipment, removing, and restoring the site on which it is located, and any necessary interest expense arising from unfinished construction. If the various component of property, plant, and equipment is material, it shall be separately recognized for depreciation. When the material components of property, plant and equipment requires to be regularly replaced, the Group will see the item as a separate asset and to separately recognize it through its useful life and depreciation method. The carrying amount of the replaced component will be derecognized in accordance with the derecognition rule in IAS 16 - Property, Plant, and Equipment. When material inspection cost complies with criteria for recognition, it will be treated as a replacement cost and recognized as a part of the carrying amount of the property, plant, and equipment. All other fixture and maintenance expense will be recognized in profit or loss.

Depreciation is recognized through the straight-line method with the following asset useful life estimation:

Housing and constructions: 15.375 years

Transportation vehicle: 5 years

Office equipment: 3-15 years

Leasehold improvements: 3-10 years

Other equipment: 3-10 years

After initial recognition of property, plant, and equipment, or any of its material components, if disposal occurs or if inflow of economic benefit is not expected to occur from its use or disposal thereof in the future, it shall be derecognized and recognized in profit or loss.

Residual value, useful life and depreciation methods of property, plant, and equipment will be evaluated at the end of each fiscal year. If expected value differs from previous estimates, the changes will be treated as changes in accounting estimates.

k. Lease

The Group evaluates whether a contract is (or includes) a lease on the contract establishment date. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Group will evaluate whether the following two factors will occur during the entire duration of use:

- 1) Rights to nearly all economic benefits of the identified asset have been received; and
- 2) The control over the right to use the identified asset.

For contracts that are (or include) leases, the Group will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Group will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Group will maximize the use of observable information to estimate their respective single unit prices.

The Group is the lessee

Except for leases that meet and are selected to be treated as short-term leases or low-value assets, when the Group is the lessee of a lease contract, the Group will recognize all right-of-use asset and lease liabilities related to all leases.

At the start date, the Group measures the lease liability at the present value of the unpaid lease payments on that date. If the interest rate implicit in a lease is easy to determine, the lease payment is discounted using that interest rate. If such interest rate is difficult to determine, the lessee's incremental loan rate of interest will be used. On the start date, the lease payment of the lease liability will be accounted for, including the following payments that have to do with the target right-of-use asset during the lease period that have not been paid on that date:

- 1) Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;
- 2) Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);
- 3) Expected residual value guarantee from the lessee;
- 4) Exercise price for purchase of options, if the Group can be reasonably assured that the right will be exercised; and
- 5) Penalties for termination of the lease, in case the lease period reflects that the lessee will exercise the option to terminate the lease.

After the start date, the Group will measure the lease liability using amortized cost-based measurement, and the carrying amount of the lease liability will be added by the effective interest method to reflect interest of the lease liability. Lease payment will be subtracted from the carrying amount of the lease liability.

On the start date, the Group will measure the right-of-use asset at cost, and the cost of the right-of-use asset will include:

- 1) The original valuation of the lease liability;
- 2) Any lease payment paid on the start date or before, minus any lease incentives taken;
- 3) Any original direct cost that the lessee incurs; and
- 4) Estimated cost of the lessee's dismantling, removing the target asset and restoration at the asset's location, or the cost to restore the target asset to the state required in the terms and conditions of the lease.

Valuation of the right-of-use asset will be cost minus accumulated depreciation and accumulated impairment loss, or the right-of-use asset can be measured at cost model.

If the ownership of the target asset will be transferred to the Group when the lease period expires, or if the cost of the right-of-use asset reflects that the Group will exercise purchase option, then the depreciation of the right-of-use asset will be measured from the start date of the lease until the end of the asset's useful life. Otherwise, the Group will depreciate the right-of-use asset from the start date until the end of its useful life, or the end of the lease term, whichever is the earlier of the two.

The Group uses IAS 36 Asset Impairment to determine whether an asset has been impaired and treats any identified impairment loss.

Except for lease of assets that meet and were selected to be short-term lease or low-value asset, the Group will recognize right-of-use assets and lease liabilities on the balance sheet, and separately recognize any depreciation expense and interest expense related to the lease on the statement of comprehensive income.

For short-term leases and low-value asset leases, the Group chooses to use straight-line basis or another systematic basis, and recognizes related lease payments as expenses during the lease terms.

The Group is the lessor

On the date of establishing the contract, the Group will classify each lease as either operating lease or financing lease. If nearly all risks and rewards associated with the ownership of the asset will be transferred during the lease, it will be categorized as a financing lease; if risks and rewards will not be transferred, it will be an operating lease. The Group will recognize assets held under financing leases on the balance sheet on the start date, and express them as lease payment receivable based on the net lease investment.

For contracts that include lease components and non-lease components, the Group will distribute the considerations in the contract using regulations from IFRS 15.

The Group uses direct-line basis or another systematic basis to recognize lease payments from operating leases as lease revenue. For variable lease payments not based on certain indicators or rates in operating leases, the Company will recognize them as lease revenue when they occur.

1. Intangible assets

Separately acquired intangible assets will be measured by cost during initial recognition. After initial recognition of intangible assets, its carrying amount will be the cost reduced by any accumulated amortization. Internally-arising intangible assets that do not meet the recognition criteria will not be capitalized, and will be recognized in profit or loss as they occur.

The useful life of an intangible asset has been classified as either finite or indefinite.

Intangible assets with finite useful life will be amortized during the duration of the useful life, and impairment tests will be conducted when there are indicators of impairment. The duration of amortization and method of amortization of intangible assets with finite useful life should be reviewed at least once at the end of each fiscal year. If the expected useful life of an asset is found to be different from the estimation or if the expected model of consumption of future economic benefits has changed, then the amortization method or duration of amortization shall be adjusted and treated as changes in estimate.

Intangible assets with indefinite useful life will not be amortized; however, impairment test shall be conducted based on individual asset or cash-generating unit level in each year. Intangible asset with indefinite useful life will be expected in each term for whether matters and conditions continue to support its indefinite useful life. If the useful life is changed from indefinite to finite, applicability will be deferred.

Gains or loss arising from derecognition of intangible assets will be recognized in profit or loss.

Below is a compilation of the Group's accounting policy for intangible assets:

	Computer software	Trademarks
Useful life	1-5 years	Indefinite
Amortization method used	Straight-line amortization during the expected useful life	Do not amortize
Internally-arising or acquired externally	Acquired externally	Acquired externally

m. Non-monetary impairment

At the end of every reporting period, the Group will evaluate all assets for indicators of impairment pursuant to IAS 36 - Impairment of Assets. If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Group will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. Recoverable amount is the higher of the net fair value or useful value.

At the end of every reporting period, the Group will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Group will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

n. Revenue Recognition

The Group's revenue from customer contracts is mostly from sales of goods and provision of service, and their accounting treatments are explained as follows:

Sales of goods

The Group sells products and recognizes revenue when the promised product is delivered to the customer and the customer obtains control (the customer has the ability to lead the use of the product and obtain almost all of the remaining benefits of the product) and satisfies performance obligation. The Group's primary products are various types of medicine, health supplements, as well as maternity and infant products. During some of the sales transactions, when the ownership of the goods is transferred to the customer, the Group will provide points as part of the customer loyalty program based on the transaction price. The points will provide the customers with preferential discount during the customer's subsequent purchases within the next year. The Group distributes the

transaction price and points given based on the relative selling price of the goods sold and the points, and the transaction price allocated to the sales goods is recognized when the ownership of the goods is transferred to the customer, while the rest will be recognized as contractual liability based on the acquisition price.

Retail customers of the Group have the right to enjoy discount during future purchase with the points they collect. When points are collected from customer use or when the points expire one year after the initial sales, revenue from the points given will be recognized, and relevant contractual liability will be adjusted accordingly.

The credit period for the product sales transactions of the Group is 60-120 days. Accounts receivable will be recognized when most of the contracts are subject to product transfer control and have the right to receive unconditional consideration. These receivables are usually short-term and do not pose as significant financing components.

Provision of service

Service revenue of the Group mostly come from provision of management service. Revenue will be recognized when the committed service is transferred to the customer and satisfies performance obligation.

o. Retirement pension plan

The Company and its domestic subsidiaries' employee retirement method is applicable for all formal employees. The full amount of employee pension fund is managed by the Labor Retirement Reserve Supervisory Committee, and deposited in designated pension fund. Since the aforementioned pension is deposited under the name of the Labor Retirement Reserve Supervisory Committee, and completely separate from the Company and its subsidiaries, it is not included in the above Consolidated Financial Statements.

For retirement pension plans with defined allocations, the Company and its subsidiaries are obliged to allocate a certain ratio of employee pension allocation of no less than 6% of the employee's monthly pay. The amount of allocation will be recognized as current expense.

For retirement pension plans with defined benefit plan, the Company will include the amounts after the reporting period on actuarial report through projected unit credit method. Revaluation of net defined benefit liabilities (asset) includes any changes in return on plan assets and asset ceiling and will be reduced by amount of net interest included in the net defined benefit liability (asset) and actuarial profit or loss. When revaluation of net defined benefit liability (asset) occurs, it will be recognized under other comprehensive income (loss) and immediately recognized in retained earnings.

Past service cost is the change from the present value of the defined benefit plan due to plan revision or reduction, and will be recognized as expense on the earlier of the two dates:

- 1) When the plan is revised or reduced; and
- 2) When the Group recognizes relevant restructuring cost or termination benefits.

Net interest of net defined benefit liability (asset) is net defined benefit liability (asset) multiplied by the discount rate, and both will be decided at the beginning of a reporting period. Subsequently, any changes that occur to the net defined benefit liability (asset) from allocations and benefit expense during the period will be considered.

p. Share-based payment transaction

The cost of the equity-settled share-based payment transaction between the Group and the employees is measured by the fair value on the date of the share-based payment transaction. The fair value is measured by an appropriate pricing model. The fair value is measured by an appropriate pricing model.

The cost of the equity-settled share-based payment transaction is gradually recognized when service terms and performance conditions are met, and when the equity recognized by the counterparty increases. The accumulated expense from equity-settled share-based payment transactions before the end of every reporting period before the vesting date, is a reflection on the passing of the vesting period at the best estimate from the Group for the number of equity instruments that the Group will ultimately own. At the beginning and end of each reporting period, the cumulative cost changes recognized for the share-based payment transactions will be recognized in profit or loss for the period.

If ultimately, the bonus for share-based payment does not meet the vesting criteria, no expense shall be recognized. However, if the vesting conditions of the equity delivery transaction are related to market conditions or non-vested conditions, when all service or performance conditions are met, related expenses shall be recognized whether the market conditions or non-vested conditions have been met or otherwise.

When equity delivery transaction conditions are modified, at least the initial benefit cost prior to the alternation shall be recognized. In case the share-based payment terms are modified, if the total fair value of the share-based payment transaction is increased or more beneficial to the employees, the additional equity delivery transaction cost will be recognized.

If the share-based payment bonus plan for the equity delivery is canceled, it will be treated as vested on the date of cancellation and the remaining unrecognized share-based payment will be immediately recognized. This includes rewards outside of vesting conditions that have not been achieved by either the Company or the employees. If the original cancelled reward is replaced by a new reward scheme, and has been confirmed that the new plan will replace the existing on the grant date, the cancelled and the new granted reward will be treated as modifications to the existing plan.

Dilution effect of outstanding options will be calculated by additional shares during calculation of the dilution on the EPS.

q. Income tax

Income tax expense (benefit) refers to the aggregated amount related to current income tax and deferred income tax that is included in the current profit or loss.

Income tax in the current period

Income tax liabilities (assets) for this period and for prior periods, are measured at the tax rates and tax laws enacted in the legislative or substantive legislation at the end of the reporting period. Current income tax related to items recognized in other comprehensive income or directly recognized in equity, will be separately recognized in other comprehensive income (loss) or equity rather than profit or loss.

Surplus on unappropriated retained earnings will be recognized as income tax expense on the date of surplus distribution from the Shareholders' Meeting.

Deferred income tax

Deferred tax is calculated based on the temporary difference between the taxable basis of assets and liabilities and the carrying amounts on the Balance Sheet at the end of the reporting period.

All taxable temporary difference shall be recognized as deferred tax liabilities except for the following:

- 1) Initial recognition of goodwill; or the initial recognition of an asset or liability not arising from a business combination transaction and does not affect accounting profits or taxable income (loss) at the time of the transaction;
- 2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

Deferred income tax assets that are deductible from temporary differences, unused tax losses and unused income tax deductions are recognized in the context of probable future taxable income except for the following:

- 1) Deductible temporary difference arising from business combination with a non-affiliate, and is related to initial recognition of assets or liabilities that do not affect accounting profit or loss of taxable income (loss) at the time of transaction;
- 2) Related to deductible temporary difference from equity in investments in subsidiaries, affiliates, or joint ventures, and is highly possible to revert in the foreseeable future, and the revert may be to the extent that there will be sufficient taxable income at the time for recognition of the temporary difference.

Deferred income tax assets and liabilities are measured at the tax rate of the expected

asset realization or in the period in which the liability is settled. The tax rate is based on the tax rates and tax laws that have been enacted in the legislative or substantive legislation at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the carrying amount of the liability is settled at the end of the reporting period. The deferred income tax that is related to items not recognized in profit or loss will also not be recognized in profit or loss. It will be recognized in other comprehensive income (loss) or directly recognized in equity based on its related transaction. Deferred tax assets shall be reviewed and recognized at the end of each reporting period.

For deferred tax assets and liabilities, only the offset between the current tax assets and current tax liabilities carries legally enforceable rights. Moreover, deferred income tax may be offset when it is subject to the same taxpayer and is related to the income tax levied by the same tax authority.

5. Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When preparing the Consolidated Financial Statements, the Group's management shall exercise judgment, estimation and assumption at the end of the reporting period. This will influence the reported amounts of revenue, expense, assets and liabilities, and disclosure on liabilities. Nevertheless, the uncertainty of these material assumptions and estimates may result in material adjustments to the carrying amount of an asset or liability in the future.

Estimates and assumptions

At the end of a reporting period, major source of information for uncertainties in regards to estimates and assumptions for the future, present material risk in material adjustments to the carrying amounts of assets and liabilities in the next fiscal year. This will be explained in the following:

a. Fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from an active market, the fair value will be determined by valuation techniques. These include income approach (for example, the discounted cash flow method) or market approach, and changes in the assumptions used in these models will influence the fair value of the reported financial instruments. Please refer to Note 12 for details.

b. Accounts receivable - estimates on impairment loss

The Group's estimate of impairment loss for receivables is measured by the amount of estimated credit losses over its lifetime, which will be based on the difference between the contractual cash flow (carrying amount) receivable and the expected cash flow

(assessment of forward-looking information). However, discount effect of short-term receivables is insignificant and credit loss will not be measured by undiscounted difference. If the actual cash flow in the future is less than the estimate, there may be material impairment loss. Please refer to Note 6 for details.

c. Inventory

The estimated value of the net realized value of inventories is the most reliable evidence of the expected change in the amount of cash available for the inventory at the estimated time when the inventory is damaged, all or part of it becomes obsolete or declines in the selling price and influences from product shelf life. Please see refer to Note 6 for detail.

d. Retirement pension plan

The present value of defined benefit costs and defined benefits obligations in retirement pension plan is measured by actuarial valuation. Actuarial valuation involves various assumptions, including discount rate and changes in expected salaries and more. Please refer to Note 6 for details on the assumptions used to measure the cost of defined benefit costs and defined benefit obligations.

e. Share-based payment transaction

Cost of equity settlement transaction between the Group and our employees are measured by the fair value of the equity instrument on the grant date. When estimating the fair value of the share-based payment transaction, the best pricing model should be determined based on the benefit conditions. These estimates also require determining the best parameters used in the pricing model, including: expected duration of the stock options, estimated fluctuations, estimated rate of dividend, and any assumptions made therein. Please refer to Note 6 for explanations on the assumptions and models used to measure the fair value of the share-based payment transaction.

f. Income tax

Uncertainties for income tax exist in the interpretation of complex tax laws, and the future taxable amounts and time points. Due to the prevalence of international business relationships and the long-term nature and complexity of contracts, there may be differences between the actual results and assumptions made, or alternatively, such assumptions in the future may force recorded interest tax benefits and expenses to be adjusted in the future. Recognition of income tax is based on reasonable estimates of the possible audit results of the tax authorities of the countries in which the Group operates. Amounts recognized are based on different elements, for instance, the past experience of tax review and the taxation subject may have different interpretations of the tax law from the taxation authority. Differences in these interpretations could lead to various issues due to the conditions of the countries in which the Group's individual entities operate.

Unused tax loss and deferred tax carried forward and deductible temporary differences are recognized as deferred tax assets based on the context that it is highly likely future taxable income or taxable temporary differences will occur in the future. The determination of the

amount of deferred tax asset to be recognized is at the point and standards where there may be differences between the future taxable income and taxable temporary difference as well as the estimate of future tax planning strategies.

6. Explanations of Significant Accounting Items

a. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand and petty cash	\$10,826	\$9,046
Checks and demand deposit	1,471,713	1,184,873
Fixed deposit	975,870	114,550
Total	<u>\$2,458,409</u>	<u>\$1,308,469</u>

b. Financial assets measured at fair value through profit or loss

	2022.12.31	2021.12.31
Measured at fair value through profit and loss:		
Convertible corporate bonds	<u>\$1,620</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	1,620	-
Total	<u>\$1,620</u>	<u>\$-</u>

There was no Group's endorsement/guarantee provided for financial assets measured at fair value through profit and loss.

c. Financial assets at fair value through other comprehensive income (loss)

	2022.12.31	2021.12.31
Investments in equity instruments measured at fair value through other comprehensive income:		
Unlisted and non-OTC company stock	\$50,000	\$-
Valuation adjustment	(1,167)	-
Total	<u>\$48,833</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	48,833	-
Total	<u>\$48,833</u>	<u>\$-</u>

There was no Group's endorsement/guarantee provided for financial assets measured at fair value through other comprehensive income.

d. Financial assets measured at amortized cost

	2022.12.31	2021.12.31
Restrictive fixed deposit	\$24,000	\$24,000
Fixed deposit	3,000	3,000
Less: allowance for loss	-	-
Total	<u>\$27,000</u>	<u>\$27,000</u>
Current	<u>\$24,000</u>	<u>\$24,000</u>
Non-current	<u>\$3,000</u>	<u>\$3,000</u>

The Group only has transactions with financial institutions in good credit standing and therefore has no material credit risk.

Please refer to Note 8 for the Group's endorsement/guarantee provided for financial assets measured at amortized cost.

e. Notes receivable, net

	2022.12.31	2021.12.31
Notes receivable - from operating activities	\$2,052	\$2,144
Less: allowance for loss	-	-
Total	<u>\$2,052</u>	<u>\$2,144</u>

The Group's notes receivable has not had conditions of endorsement/guarantee.

The Group assesses information related to impairment and allowance for loss using regulations from IFRS 9. Please refer to Note 6.18, and please refer to Note 12 for information on credit risk.

f. Net accounts receivable

1) Below is a list of the accounts receivable, net:

	2022.12.31	2021.12.31
Total accounts receivable	\$429,124	\$469,345
Less: allowance for loss	(428)	(617)
Net balance	<u>\$428,696</u>	<u>\$468,728</u>

2) The aforementioned accounts receivable has not had conditions of endorsement/guarantee.

3) The Group's credit period to customers is 60-120 days. The total carrying amounts were NT\$429,124 thousand and NT\$469,345 thousand on December 31, 2022 and December 31, 2021 respectively. Please refer to Note 6 (18) for information related to allowance for impairment loss in 2022 and 2021. Please refer to Note 12 for information on credit risk.

g. Inventory

1) Net inventory is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Work-in-progress	\$3,806	\$66
Commodity	2,628,292	1,839,402
Total	<u>\$2,632,098</u>	<u>\$1,839,468</u>

2) The Group recognized cost of inventories NT\$10,553,517 thousand and NT\$8,337,939 thousand on December 31, 2022 and December 31, 2021 as expenses respectively. These expenses included the:

	<u>2022</u>	<u>2021</u>
Allowance for inventory valuation and obsolescence loss	\$10,274	\$4,706
Inventory scrap loss	22,098	9,551
Inventory loss	10,111	7,483
Total	<u>\$42,483</u>	<u>\$21,740</u>

3) Aforementioned inventory has not had conditions of endorsement/guarantee

h. Property, plant, and equipment

	Buildings and construction	Transportatio n vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:						
2022.01.01	\$48,583	\$14,338	\$412,011	\$554,115	\$316,722	\$1,345,769
Acquisition	-	-	137,952	131,443	26,666	296,061
Disposal	-	-	(1,996)	(3,543)	(3,931)	(9,470)
Transfer	-	-	-	-	-	-
2022.12.31	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$547,967</u>	<u>\$682,015</u>	<u>\$339,457</u>	<u>\$1,632,360</u>
2021.01.01	\$48,583	\$14,338	\$344,607	\$463,629	\$223,882	\$1,095,039
Acquisition	-	-	68,244	90,609	95,171	254,024
Disposal	-	-	(840)	(123)	(2,331)	(3,294)
Transfer	-	-	-	-	-	-
2021.12.31	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$412,011</u>	<u>\$554,115</u>	<u>\$316,722</u>	<u>\$1,345,769</u>
Depreciation and impairment:						
2022.01.01	\$3,826	\$13,582	\$237,053	\$234,835	\$106,641	\$595,937
Depreciation	3,255	479	64,296	82,332	58,561	208,923
Disposal	-	-	(752)	(1,054)	(1,423)	(3,229)
Transfer	-	-	-	-	-	-
2022.12.31	<u>\$7,081</u>	<u>\$14,061</u>	<u>\$300,597</u>	<u>\$316,113</u>	<u>\$163,779</u>	<u>\$801,631</u>
2021.01.01	\$790	\$12,931	\$186,504	\$169,634	\$55,392	\$425,251
Depreciation	3,036	651	50,577	65,205	51,326	170,795
Disposal	-	-	(28)	(4)	(77)	(109)
Transfer	-	-	-	-	-	-
2021.12.31	<u>\$3,826</u>	<u>\$13,582</u>	<u>\$237,053</u>	<u>\$234,835</u>	<u>\$106,641</u>	<u>\$595,937</u>
Net carrying amount:						
2022.12.31	<u>\$41,502</u>	<u>\$277</u>	<u>\$247,370</u>	<u>\$365,902</u>	<u>\$175,678</u>	<u>\$830,729</u>
2021.12.31	<u>\$44,757</u>	<u>\$756</u>	<u>\$174,958</u>	<u>\$319,280</u>	<u>\$210,081</u>	<u>\$749,832</u>

The aforementioned property, plant, and equipment have no conditions of endorsement/guarantee.

i. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2022.01.01	\$14,145	\$14,286	\$28,431
Acquisition - separately acquired	13,080	-	13,080
Derecognized at the end of useful life	-	-	-
2022.12.31	<u>\$27,225</u>	<u>\$14,286</u>	<u>\$41,511</u>
2021.01.01	\$8,110	\$14,286	\$22,396
Acquisition - separately acquired	6,035	-	6,035
Derecognized at the end of useful life	-	-	-
2021.12.31	<u>\$14,145</u>	<u>\$14,286</u>	<u>\$28,431</u>
Amortization and impairment:			
2022.01.01	\$7,901	\$-	\$7,901
Amortization	5,984	-	5,984
Derecognized at the end of useful life	-	-	-
2022.12.31	<u>\$13,885</u>	<u>\$-</u>	<u>\$13,885</u>
2021.01.01	\$4,378	\$-	\$4,378
Amortization	3,523	-	3,523
Derecognized at the end of useful life	-	-	-
2021.12.31	<u>\$7,901</u>	<u>\$-</u>	<u>\$7,901</u>
Net carrying amount:			
2022.12.31	<u>\$13,340</u>	<u>\$14,286</u>	<u>\$27,626</u>
2021.12.31	<u>\$6,244</u>	<u>\$14,286</u>	<u>\$20,530</u>

Amount of intangible assets is as follows:

	2022	2021
Operating expenses	<u>\$5,984</u>	<u>\$3,523</u>

j. Other non-current assets

	2022.12.31	2021.12.31
Prepaid equipment	\$11,708	\$3,060
Refundable deposits	201,136	93,957
Total	<u>\$212,844</u>	<u>\$97,017</u>

For long-term business development needs to increase operational performance, the Group has made a joint bid on “Taoyuan Aerotropolis Project Priority Industrial Zone Land Auction - Base B” with Company A on June 22, 2022 through the resolution of the Board of Directors. The deposit of NT\$83,998 thousand was paid and recognized under refundable deposits. It won the bid for a total price of NT\$1,679,968 thousand on July 28, 2022.

k. Short-term loans

1) Details on short-term loans are as follows:

	Range of interest rates (%)	2022.12.31	2021.12.31
Unsecured bank loan	0.86%~1.18%	\$-	\$370,000

2) As of December 31, 2022 and December 31, 2021 respectively, the Group's unused short-term loan credits are NT\$0 and NT\$92,960 thousand respectively.

l. Other payables

	2022.12.31	2021.12.31
Expenses payable	\$364,309	\$269,572
Equipment payable	27,638	25,613
Net defined benefit liabilities - current	37	37
Total	\$391,984	\$295,222

m. Bonds payable

1) Details of bonds payable are as follows:

	2022.12.31	2021.12.31
Elements of liability:		
Par value of domestic convertible corporate bonds payable	\$1,220,000	\$-
Less: discount on domestic convertible corporate bonds payable	(52,608)	-
Subtotal	1,167,392	-
Less: portion due within one year	-	-
Net balance	\$1,167,392	\$-
Embedded Derivative Financial Instruments - Redemption Rights	\$1,620	\$-
Equity Element - Conversion Right	\$ 97,348	\$-

For valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds, please refer to Note 6.21 (4).

2) On September 12, 2022, the Company issued the second domestic unsecured convertible corporate bonds with the major terms as follows:

- (A) Total issuance: NT\$1,000,000 thousand
- (B) Date of issuance: 2022.09.12
- (C) Issuance price: Issued at 104.21% of par value

- (D) Coupon rate: 0%
- (E) Issuance period: 2022.09.12~2025.09.12
- (F) Repayment at maturity: The Company shall repay the convertible corporate bonds held by the holders of the convertible corporate bonds (hereinafter referred to as the "Bondholders") at par value in one lump sum in cash within 10 business days from the day after the maturity of the convertible corporate bonds, except for the conversion of the convertible corporate bonds by the Bondholders into common shares of the Company in accordance with Article 10 of this regulation, and the early redemption by the Company, or cancellation by purchase from the Taipei Exchange in accordance with Article 18 of this regulation.
- (G) Conversion period: Starting from the day after the 3-month period of issuance of this convertible bond to the date due (December 13, 2022), except for (I) stock transfer is halted pursuant to applicable laws; (II) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for a capital increase, until the base date for right distribution, (III) capital reduction base-date to one day before the capital reduction in issuance of shares, (iv) from the day of the cessation of the conversion of the change of the face value of the shares to the day before the start of trading of the new shares for shares, conversion may not be requested, and may be transmitted to Taiwan Depository & Clearing Corporation at any time through the brokerage (hereinafter referred to as the "TDCC") to the Company's stock agency to request in accordance with the provisions of these measures to convert the bonds held in the conversion of common shares of the Company, and in accordance with the provisions of the present Procedure.
- (H) Conversion price and adjustments: The conversion price is set at NT\$304.98 per share at the time of issuance. In the event that the conversion price of the Company's common stock or stock options is adjusted in accordance with the terms of the issuance, the conversion price will be adjusted in accordance with the formula set forth in the terms of the issuance.
- (I) The Company's redemption rights:
- (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and for investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash. The Company shall execute the call request and redeem the convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.
 - (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash. The Company shall execute the call request and redeem the outstanding convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.
 - (3) If the creditor does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.
 - (4) If the Company executes the call request, the deadline for the Bondholders to request the conversion is the second business day after the date of termination of trading of the convertible corporate bonds on the Taipei Exchange.

- 3) On September 29, 2022, the Company issued the first domestic private placement of convertible corporate bonds with the major terms as follows:
- (A) Total issuance: NT\$220,000 thousand
 - (B) Date of issuance: 2022.09.29
 - (C) Issuance price: Issued at 100% of par value
 - (D) Coupon rate: 0%
 - (E) Issuance period: 2022.09.29~2025.09.29
 - (F) Repayment at maturity: The Company shall repay the bonds at par value in one lump sum in cash upon the maturity of the private placement of convertible corporate bonds, except for the conversion of the private placement of convertible corporate bonds by the holders of the private placement of convertible corporate bonds (hereinafter referred to as the "Bondholders") into common shares of the Company in accordance with Article 10 of this regulation, or the early redemption by the Company in accordance with Article 17 of this regulation, or the exercising of the put rights by the Bondholders in accordance with Article 18 of this regulation.
 - (G) Conversion period: Starting from the day after the 3-month period of issuance of this convertible bond (December 30, 2022) to the date due (September 29, 2025), except for (I) stock transfer is halted pursuant to applicable laws; (II) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for a capital increase, until the base date for right distribution, (III) capital reduction base-date to one day before the capital reduction in issuance of shares, (iv) from the day of the cessation of the conversion of the change of the face value of the shares to the day before the start of trading of the new shares for shares, conversion may not be requested, at any time through the brokerage to the Company's stock agency to request in accordance with the provisions of these measures to convert the bonds held in the conversion of common shares of the Company, and in accordance with the provisions of the present Procedure.
 - (H) Conversion price and adjustments: The conversion price is set at NT\$270.5 per share at the time of issuance. In the event that the conversion price of the Company's common stock or stock options is adjusted in accordance with the terms of the issuance, the conversion price will be adjusted in accordance with the formula set forth in the terms of the issuance.
 - (I) The Company's redemption rights:
 - (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 30, 2022) to forty days before the expiration of the issuance period (August 21, 2025). When the closing market price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) The bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.
 - (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 30, 2022) to forty days before the expiration of the issuance period (August 21, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.
 - (3) If the Bondholders does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.
- 4) In addition, the bonds of the Company have not been converted as of December 31, 2022.

n. Retirement pension plan

Defined allocation plan

The Group's employee retirement method adopts the defined allocation plan pursuant to the Labor Pension Act. Pursuant to the Act, the Company is obligated to allocate no less than 6% of its employee's monthly salary as employee pension. The Company has established employee retirement method in accordance with the Act, and allocates 6% based on each employee's salary to his/her respective individual retirement account (IRA) at the Bureau of Labor Insurance.

Group recognized defined allocation expense of NT\$46,891 thousand and NT\$39,417 thousand in 2022 and 2021 respectively.

Defined benefit plan

The Company's employee retirement method adopts the defined benefit plan pursuant to the Labor Standards Act. Payment of employee pension is calculated on the base points of an employee's years of service and average monthly wages when the person is permitted to retire. Two base points will be assigned for 15 years (inclusive) of service or less, and for those exceeding 15 years of service, every year will be assigned an additional base point. The maximum base points allowed is 45. The Company provides a pension fund of 2% of the total salary on a monthly basis in accordance with the Labor Standards Act, and deposits it in a designated account at the Bank of Taiwan in the name of the Labor Retirement Reserve Supervisory Committee.

The Bureau of Labor Funds, Ministry of Labor, Executive Yuan, undertakes asset allocations based on the income and expenditure of the employee retirement fund. Investment of the fund is invested in self-operated and entrusted management methods, and adopts active and passive management medium- to long-term investment strategies. The Bureau of Labor Funds takes risks including market, credit, and liquidity into consideration in setting limits and control plan for the fund so that adequate flexibility can be used toward the compensation objective without excessive risk. As of December 31, 2021, the Company's defined benefit plan is expected to allocate NT\$63 thousand within the following year.

As of December 31, 2022 and December 31, 2021, the Company's defined benefit plans are expected to expire in 2039.

The following table summarizes the costs of defined benefit plan recognized to profit or loss:

	2022	2021
Current service cost	\$-	\$-
Net interest from net defined benefit assets (liabilities)	47	15
Total	<u>\$47</u>	<u>\$15</u>

Adjustments of the present value of the defined benefit obligations and fair value of the plan assets:

	2022.12.31	2021.12.31	2021.01.01
Present value of the defined benefit obligations	\$9,316	\$10,078	\$7,562
Fair value of plan assets	<u>(4,972)</u>	<u>(4,396)</u>	<u>(4,100)</u>
Other non-current liabilities - net defined benefit liabilities recorded	<u>\$4,344</u>	<u>\$5,682</u>	<u>\$3,462</u>

Adjustments to the net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
2021.01.01	\$7,562	\$ (4,100)	\$3,462
Current service cost	-	-	-
Interest expense (income)	32	(17)	15
Past service cost and settlement gain or loss	-	-	-
Subtotal	<u>7,594</u>	<u>(4,117)</u>	<u>3,477</u>
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	327	-	327
Experience-based adjustments	2,157	-	2,157
Remeasurement of defined benefit assets	-	(56)	(56)
Subtotal	<u>2,484</u>	<u>(56)</u>	<u>2,428</u>
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2021.12.31	<u>10,078</u>	<u>(4,396)</u>	<u>5,682</u>
Current service cost	-	-	-
Interest expense (income)	83	(36)	47
Past service cost and settlement gain or loss	-	-	-
Subtotal	<u>10,161</u>	<u>(4,432)</u>	<u>5,729</u>
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	(1,029)	-	(1,029)
Experience-based adjustments	184	-	184
Remeasurement of defined benefit assets	-	(316)	(316)
Subtotal	<u>(845)</u>	<u>(316)</u>	<u>(1,161)</u>
Benefits paid	-	-	-
Employer allocations	-	(224)	(224)
Effects of changes in foreign exchange rates	-	-	-
2022.12.31	<u>\$9,316</u>	<u>\$(4,972)</u>	<u>\$4,344</u>

The following key assumptions are used to determine the Company's defined benefit plan:

	2022.12.31	2021.12.31
Discount rate	1.46%	0.82%
Expected rate of salary increase	2.60%	2.60%

Sensitivity analysis of every material actuarial assumption:

	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.5% increase in discount rate	\$-	\$723	\$-	\$832
0.5% decrease in discount rate	793	-	916	-
0.5% increase in expected salary	780	-	895	-
0.5% decrease in expected salary	-	719	-	822

The purpose of conducting the aforementioned sensitivity analysis is to analyze the possible impact of determining a defined benefit obligation when a single actuarial assumption (e.g. discount rate or expected salary) undergoes a reasonably likely change, assuming all other assumptions remain unchanged. Since some of the actuarial assumptions are related to each other, there are few separate actuarial assumptions that undergo singular changes in reality, so the analysis has its limitations.

The methods and assumptions used in the current period of sensitivity analysis are no different from the previous periods.

o. Equity

1) Ordinary Shares

As of December 31, 2022 and December 31, 2021, the Company's authorized share capital is NT\$1,500,000 thousand and NT\$1,500,000 thousand, and has issued NT\$891,352 thousand and NT\$700,431 thousand in shares, respectively. Each share has a par value of NT\$10, and 89,135 thousand shares and 70,043 thousand shares were issued, respectively. Each share has one voting right and right to receive dividend.

In 2021, the first batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT\$38,778 thousand, for which 657 thousand ordinary shares were converted, and the paid-in capital after the increase was NT\$540,017 thousand with part value of NT\$10 at 54,002 thousand shares.

On July 2, 2021, the Company's Annual Shareholders' Meeting has approved the capital increase by reinvestment of a surplus of NT\$160,414 thousand. Upon approval of the Board of Directors on August 12, 2021, September 5, 2021 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT\$700,431 thousand with par value of NT\$10 at 70,043 thousand shares.

In 2021, the exercised conversion rights issued by the Company of NT\$36,138 thousand, for which 668 thousand ordinary shares were converted, and the paid-in capital after the increase was NT\$707,110 thousand with part value of NT\$10 at 70,711 thousand shares. Base date of increase is still pending for the Board of Directors' approval as of December 31, 2021, so the capital is recognized as a prepaid capital.

In 2022, a total of NT\$46,748 thousand was exercised, for which 924 thousand common shares were converted. After the capital increase, the paid-in share capital was NT\$898,590 thousand, with per value of NT\$10 at 89,859 thousand shares, of which 724 thousand common shares were still pending for the Board of Directors' approval as of December 31, 2022, so the capital is recognized as a prepaid capital.

On May 31, 2021, the Company approved a surplus capital increase of NT\$ 182,241 thousand by resolution of the shareholders' meeting. On July 7, 2022, the capital increase plan was decided by the Board of Directors to use August 8 of the same year as the base date for the capital increase. The paid-in share capital after the capital increase was NT\$ 891,352 thousand, with per value of NT\$10 at 89,135 thousand shares.

2) Capital surplus

	2022.12.31	2021.12.31
Share premium of ordinary shares	\$751,748	\$714,240
Employee stock options	15,589	9,148
Stock options	97,348	-
Expired stock options	3,260	2,957
Total	<u>\$867,945</u>	<u>\$726,345</u>

According to the law, the capital reserve shall not be used except to make up for the Company deficit. When the Company has no deficit, the overage of the shares issued by the par value and the capital reserve generated by the proceeds of the donation can be used to charge up the capital up to a certain percentage of the paid-up capital each year. The aforesaid capital surplus may also be distributed in cash in proportion to the original share of the shareholders. In addition, capital surplus arising from any long-term equity investment shall not be used for any purpose.

3) Appropriation of net income and dividend policy

a) Appropriation of net income

Pursuant to the Company's Articles of Incorporation, if a surplus is available after closing the accounts, it shall be first used to pay taxes, make up past deficits, then 10% of which shall be appropriated as legal capital reserve. However, the Company is exempted from such appropriation in case the legal capital reserve has reached the Company's total capital, and the Company shall appropriate special capital reserve according to applicable laws or regulations from the competent authority. The remainder of which and any accumulated and

unappropriated net income from previous years shall be appropriated as net income available for appropriation. The Board of Directors shall propose the appropriation of net income and submit for a resolution at the Shareholders' Meeting, then distribute bonus to shareholders accordingly.

Where the aforementioned dividends and bonuses are distributed entirely or partially in cash, the Board of Directors shall be authorized to determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors and report to the Shareholders' Meeting, and the submission for a resolution at the Shareholders' Meeting in Paragraph 1 is not applicable.

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b) Dividend policy

To respond to economic changes and to strengthen the Company's financial structure, the Company has adopted a balanced dividend policy. The policy for future dividend distribution is as follows:

- i. The Company will appropriate no less than 10% of the aforementioned distributable net income as shareholders' dividends. Nevertheless, when distributable net income is less than 10% of the paid-in capital, the Company may propose not to appropriate any bonus.
- ii. In consideration of a balanced and stable dividend policy, the Company will appropriate either share or cash dividends according to the needs of funds and the degree of dilution to earnings per share. Appropriations of cash dividend shall be no less than 10% of the annual total dividends.

c) Legal capital reserve

Pursuant to the Company Act, legal capital reserve shall be appropriated until the total sum of which has reached the paid-in capital. Legal capital reserve shall be used toward making up for the deficit. When the Company does not have past deficits, the Company may issue new shares or distribute cash with the portion of legal capital reserve that exceeds 25% of the paid-in capital.

▶
d) Special capital reserve

During appropriation of distributable net income, the Company appropriated the difference between the balance allocated to special capital reserve during first-time adoption of IFRS and net deductions in other equity items to the special capital reserve in compliance with regulations. Subsequently, if the net balance of other equity deduction has reversed, the reversal shall be applicable to special capital reserve to distribute earnings for the reversed part of other equity net deductions.

Pursuant to the FSC Explanation Order No. 1090150022 issued on March 31,

2021, upon the first-time adoption of IFRS, on the transition date, the Company's partial retained earnings transferred due to the exemption of IFRS 1 "First-time Adoption of IFRS" from those accounted under unrealized revaluation increment and cumulative adjustment gains shall be recognized as a special capital reserve for the same amount. Where the Company's relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

The Company has no conditions where special capital reserve appropriation amount has occurred due to first-time adoption of IFRS.

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- e) The Board of Directors of the Company as of February 23, 2023 and the Regular Meeting of Shareholders as of May 31, 2022, respectively, proposed and resolved the appropriation of earnings for the years 2022 and 2021, as follows:

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	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal capital reserve	\$70,123	\$40,499		
Special capital reserve	1,372	-		
Cash dividends for ordinary shares	455,522	182,242	\$4.70	\$2.57
Stock dividends for ordinary shares	206,766	182,241	2.30	2.57

Please see Note 6.20 for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors.

- ▶
- f) Non-controlling interests

▶

	2022.12.31	2021.12.31
Beginning balance	\$20,626	\$20,283
Net profit attributable to non-controlling interests in the current period	432	343
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences translated from the financial statements of foreign operation	(68)	-
capital increase in the current period	3,418	-
Ending balance	\$24,408	\$20,626

- p. Share-based payment plan

Company employees can receive share-based payment as a part of the employee benefits plan. Employees provide service as the consideration for receiving equity instruments, and such transactions will be treated as equity-settled share-based payment transactions.

Employee share-based payment plan

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 4,000 units of employee stock options on October 29, 2019. Each unit of equity security can be used to subscribe for 1,000 shares of the Company's ordinary shares. The Company will issue new shares when employees exercise such an option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock option certificate has been granted. The duration of this stock option certificate is six years.

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 4,500 units of employee stock options on November 29, 2022. Each unit of equity security can be used to subscribe for 1,000 shares of the Company's ordinary shares. The Company will issue new shares when employees exercise such an option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock options certificate has been granted. The duration of this stock options certificate is five years.

Information on the aforementioned share-based payment is as follows:

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT\$)
2019.12.01	1,879	\$54.10
2020.10.27	2,017	\$66.50
2022.12.15	4,500	\$287.00

- 1) The following pricing model and assumptions are used toward the share-based payment plan granted:

	2019	2020	2022
Expected fluctuation rate (%)	16.56%-24.87%	13.86%-45.03%	19.31%
Risk-free interest rate (RFR) (%)	0.552%-0.580%	0.158%-0.203%	1.0935%-1.1094%
Expected year of 100% stock subscription (year)	6	6	5
Weighted-average stock price (NT\$)	82.60	86.20	287
Pricing model used	Black-Scholes	Black-Scholes	Black-Scholes

The expected duration of the option is based on historical data and current expectations and therefore may not necessarily be consistent with actual implementation. The expected volatility is the historical volatility of the period in which the hypothesis is similar to the duration of the stock options, which represents the future trend, but may not necessarily be consistent with future actual results.

2) Information on the employee stock option plan issued in 2022 and 2021:

	2022		2021	
	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)
Outstanding stock options on January 1	3,103	\$60.52	3,896	\$60.52
Stock options granted in the current period	4,500	287	-	-
Stock subscriptions in the current period	(914)	54.10	(668)	54.10
Stock options expired for the period	(96)	-	(125)	-
Outstanding stock options on December 31	<u>6,593</u>	\$211.61	<u>3,103</u>	\$60.52
Executable stock options on December 31	2,093		1,166	
Weighted-average fair value of the stock options granted in the current period		\$46.76		\$-

3) Below is the aforementioned share-based payment plan outstanding as of December 31, 2022 and December 31, 2021:

<u>2022.12.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$43.00	2.92 years
Granted on October 27, 2020	\$52.90	3.82 years
Granted on December 15, 2022	\$287.00	4.96 years
<u>2021.12.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$54.10	3.92 years
Granted on October 27, 2020	\$66.50	4.82 years

4) The expense recognized by the Company for employee share-based payment plans is shown as the following:

	<u>2022</u>	<u>2021</u>
Recognized expenses due to share-based payment transactions	<u>\$6,744</u>	<u>\$6,173</u>
(All are equity delivery share-based payment)		

q. Operating revenue

	2022	2021
Revenue from customer contracts		
Revenue from sale of goods	\$14,520,765	\$11,237,760
Revenue from provision of service	43,880	34,471
Others	-	8,711
Total	<u>\$14,564,645</u>	<u>\$11,280,942</u>

Information regarding the Group's revenue from customer contracts is as follows:

1) Breakdown of revenue

	2022	2021
	Single department	Single department
Sales revenue	\$14,520,765	\$11,237,760
Service revenue	43,880	34,471
Others	-	8,711
Total	<u>\$14,564,645</u>	<u>\$11,280,942</u>

Timing of revenue recognition:

At a fixed point in time	\$14,520,765	\$11,237,760
Over a period of time	43,880	43,182
Total	<u>\$14,564,645</u>	<u>\$11,280,942</u>

2) Contract balance

a) Contract liability - current



	2022.12.31	2021.12.31	2021.01.01
Sales of goods	\$716	\$627	\$502
Customer loyalty program	15,735	11,275	7,602
Total	<u>\$16,451</u>	<u>\$11,902</u>	<u>\$8,104</u>

Explanations of the changes in the balance of contract liabilities in 2022 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(76)	\$(5,959)
Increase in advance payment for the period	165	10,419

Explanations of the changes in the balance of contract liabilities in 2021 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(14)	\$(5,009)
Increase in advance payment for the period	139	8,682

r. Expected credit loss (gain)

	2022	2021
Operating expenses - expected credit loss (gain on reversal)		
Accounts receivable	<u>\$(189)</u>	<u>\$(84)</u>

Please refer to Note 12 for information on credit risk.

- 1) Historical records of credit impairment on the Group's receivables (including notes receivable and accounts receivable) indicate that diverse types of impairment loss is not found between different groups of customers. Therefore, allowance for loss is assessed using the same group and relevant information can be found in the following:

As of December 31, 2022

<u>A</u> <u>s</u>	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$431,138	\$-	\$38	\$431,176
Rate of loss	(0.09)%	100%	100%	
Expected lifetime credit loss	(390)	-	(38)	(428)
Carrying Amount	<u>\$430,748</u>	<u>\$-</u>	<u>\$-</u>	<u>\$430,748</u>

As of December 31, 2021

	Not overdue	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$471,349	\$89	\$51	\$471,489
Rate of loss	0.10%	100%	100%	
Expected lifetime credit loss	(477)	(89)	(51)	(617)
Carrying Amount	<u>\$470,872</u>	<u>\$-</u>	<u>\$-</u>	<u>\$470,872</u>

- 2) Information on the changes in the allowances for notes receivable and accounts receivable of the Group for 2021 and 2022 is as:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$617
Increase (reversal) in the period	-	(189)
2022.12.31	\$-	\$428
2021.01.01	\$-	\$701
Increase in the period	-	(84)
2021.12.31	\$-	\$617

s. Lease

- 1) The Group is the lessee

The Group leases real property (building and construction), and the term of the lease for each contract is between 3 years to 20 years. Some of the contracts have stipulated that without the lessor's consent, a lessee may not lease out, sublease, dispose of right, or grant all or part of the leased object's use to others using other methods, or to give the right of the lease to others.

The following is a description of the leases' impacts on the Group's financial position, financial performance, and cash flow:

a) Amount recognized in the balance sheet

i. Right-of-use assets

	<u>Building and construction</u>
Cost:	
2022.01.01	\$4,144,333
Acquisition	883,877
Disposal	(38,171)
2022.12.31	<u>\$4,990,039</u>
2021.01.01	\$3,557,999
Acquisition	693,612
Disposal	(107,278)
2021.12.31	<u>\$4,144,333</u>
Depreciation and impairment:	
2022.01.01	\$1,375,532
Depreciation	392,361
Disposal	(629)
2022.12.31	<u>\$1,767,264</u>
2021.01.01	\$1,070,461
Depreciation	324,697
Disposal	(19,626)
2021.12.31	<u>\$1,375,532</u>
Carrying amount:	
2022.12.31	<u>\$3,222,775</u>
2021.12.31	<u>\$2,768,801</u>

ii. Lease liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Lease liabilities	<u>\$3,351,451</u>	<u>\$2,871,175</u>
Current	<u>\$401,958</u>	<u>\$309,123</u>
Non-current	<u>\$2,949,493</u>	<u>\$2,562,052</u>

Please refer to Note 6 (21) (4) Financing Costs for the Group's interest expense for lease liabilities in 2022 and 2021; and refer to Note 12 (5) Liquidity Risk Management for the analysis on the expiration of lease liabilities as of December 31, 2022 and December 31, 2021.

b) Revenues and expenses related to the lessee and lease activities

	<u>2022</u>	<u>2021</u>
Short-term lease expense	\$(44,936)	\$(24,766)
Revenue from sublease of right-of-use assets	40,194	33,361

As of December 31, 2022, the Group's committed short-term lease composition is not similar to the category of the aforementioned lease target related to short-term lease expense, and related lease commitment has amounted to NT\$0.

c) Cash outflow related to the lessee and lease activities

The total cash outflow related to lease of the Group in 2022 and 2021 are NT\$446,601 thousand and NT\$357,815 thousand, respectively.

2) The Group is the lessor

The Group classifies leases in which nearly all risks and rewards associated with the ownership of the target asset will not be transferred during the lease as operating leases.

	<u>2022</u>	<u>2021</u>
Lease revenue recognized from operating lease		
Fixed lease payment	<u>\$40,194</u>	<u>\$33,361</u>

In signing operating lease contracts, the Group has the following total amount of undiscounted lease payment as of December 31, 2022 and December 31, 2021 and for the remaining:

	<u>2022</u>	<u>2021</u>
Less than one year	\$25,742	\$30,980
More than 1 but no more than 2 years	20,070	25,388
More than 2 but no more than 3 years	19,751	20,108
More than 3 but no more than 4 years	17,018	19,789
More than 4 but no more than 5 years	11,383	17,040
More than 5 years	29,501	88,079
Total	<u>\$123,465</u>	<u>\$201,384</u>

- t. The following is a compilation of employee benefits, depreciation and amortization expense by function:

Function Characteristic	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$943,070	\$943,070	\$-	\$743,386	\$743,386
Labor and health insurance expenses	-	98,656	98,656	-	81,645	81,645
Pension expenses	-	46,938	46,938	-	39,432	39,432
Other employee benefit expenses	-	72,815	72,815	-	55,741	55,741
Depreciation expenses	-	601,284	601,284	6,300	489,192	495,492
Amortization expenses	-	5,984	5,984	-	3,523	3,523

The Company's Articles of Incorporation provide that if there is profit in the year, 3% to 10% of profit shall be allocated for employee compensation, and no more than 3 percent shall be allocated for remunerations of the Directors and Supervisors. But when accumulated loss is present, the Company shall first retain the profit to make up for deficits. The aforementioned employee compensation appropriated in shares or dividends shall be approved by a Board of Directors meeting attended by two-thirds or more of all Directors, and by a majority vote of all attending Directors, and reported to the Shareholders' Meeting. Please see the Market Observation Post System (MOPS) from the Taiwan Stock Exchange (TWSE) for information on employee compensation and remunerations of the Directors and Supervisors, as approved by the Board of Directors.

Based on the Company's profitability conditions, employee compensation and remunerations of the Directors and Supervisors recognized in 2022 were NT\$26,697 thousand and NT\$5,072 thousand respectively. Employee compensation and remunerations of the Directors and Supervisors recognized in 2021 were NT\$15,357 thousand and NT\$4,556 thousand respectively. The aforementioned amounts were recorded under compensation expenses. If the Board of Directors approves of appropriation of share-based employee bonus, the closing price on the date before the Board's resolution will be used as the basis of the share distribution. If difference is found between the estimate and the actual distributions after the Board's approval, the difference will be recorded as profit or loss in the subsequent year.

On February 23, 2023, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for 2022 of NT\$26,697 thousand and NT\$5,072 thousand respectively. No material difference is found between the actual distributions and the expenses recognized on the 2022 financial statements.

The actual distribution of employee compensation and remunerations of the Directors for the year ended December 31, 2021 had no material difference from the expenses recognized in financial statements.

u. Non-operating income and expenses

1) Interest income

	2022	2021
Financial assets measured at amortized cost	<u>\$4,323</u>	<u>\$737</u>

2) Other income

	2022	2021
Rental revenue	\$40,194	\$33,361
Other income - others	<u>8,063</u>	<u>18,236</u>
Total	<u>\$48,257</u>	<u>\$51,597</u>

3) Other gains and losses

	2022	2021
Net loss from foreign exchange	\$12,542	\$(1,856)
Gains on lease modifications	502	2,598
Gain on disposal of property, plant and equipment	1,123	101
Gain (loss) on financial assets measured at fair value through profit or loss	(434)	-
Other expenditures - other	<u>(6)</u>	<u>(689)</u>
Total	<u>\$13,727</u>	<u>\$154</u>

4) Financing costs

	2022	2021
Interest from bank loans	\$4,143	\$3,595
Interest expense from corporate bonds	5,598	195
Interest from lease liabilities	<u>36,107</u>	<u>31,340</u>
Total	<u>\$45,848</u>	<u>\$35,130</u>

v. Components of the other comprehensive income (loss)

Other comprehensive income for the year ended December 31, 2022 is as follows:

	Arising in the current period	Reclassification and adjustment in the current period	Other comprehensive income (loss)	Tax benefits	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$1,161	\$-	\$1,161	\$-	\$1,161
Unrealized gain or loss on investment in equity instruments measured at fair value through other comprehensive income	(1,167)	-	(1,167)	\$-	(1,167)
Items that may subsequently be reclassified to profit or loss:					
Exchange differences translated from the financial statements of foreign operations	(273)	-	(273)	-	(273)
Total	<u>\$(279)</u>	<u>\$-</u>	<u>\$(279)</u>	<u>\$-</u>	<u>\$(279)</u>

Other comprehensive income for the year ended December 31, 2021 is as follows:

	Arising in the current period	Reclassification and adjustment in the current period	Subtotal	Tax benefits (expenses)	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	<u>\$(2,428)</u>	<u>\$-</u>	<u>\$(2,428)</u>	<u>\$-</u>	<u>\$(2,428)</u>

w. Income tax

1) Major components of income tax expenses (gains) are as follows:

Income tax recognized in profit or loss

	2022	2021
Current tax expenses:		
Current tax payable	\$193,842	\$105,871
Adjustments in respect of current income tax of prior periods	411	124
Deferred tax expenses (gains):		
Deferred tax expenses related to initial recognition of temporary difference and its reversal	(12,424)	(4,086)
Income tax expenses	<u>\$181,829</u>	<u>\$101,909</u>

Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred tax expenses (gains):		
Remeasurement of defined benefit plans	<u>\$-</u>	<u>\$-</u>
Profit before tax for continuing operations	<u>\$882,332</u>	<u>\$509,670</u>
Tax calculated at the domestic tax rate applicable to the income in relevant country	\$176,674	\$102,013
Tax effects of tax-exempt income	39	-
Tax effects of non-deductible expenses	5,985	(1,202)
Effects on income tax from deferred tax assets/liabilities	(1,280)	974
Adjustments in respect of current income tax of prior periods	<u>411</u>	<u>124</u>
Tax expense (benefits) recognized in profit or loss	<u>\$181,829</u>	<u>\$101,909</u>

2) Deferred income tax asset (liabilities) balances related to the following items:

2022

	<u>Beginning balance</u>	<u>Recognized in Profit or loss</u>	<u>Recognized in Other comprehensive income (loss)</u>	<u>Directly recognized in equity</u>	<u>Ending balance</u>
Temporary differences					
Allowance for inventory valuation and obsolescence loss	\$1,248	\$1,902	\$-	\$-	\$3,150
Exchange loss (gain)	924	(2,552)	-	-	(1,628)
Deferred revenue	2,255	892	-	-	3,147
Unrealized profit on sales	6,937	5,195	-	-	12,132
Sales return	464	-	-	-	464
Unrealized loss on tax	-	6,939	-	-	6,939
Others	-	48	-	-	48
Deferred tax (expense) / gain		<u>\$12,424</u>	<u>\$-</u>	<u>\$-</u>	
Amount of Deferred net tax asset/ (liabilities)	<u>\$11,828</u>				<u>\$24,252</u>
Information stated on balance sheet is as follows:					
Deferred tax assets	<u>\$11,828</u>				<u>\$25,880</u>
Deferred income tax liabilities	<u>\$-</u>				<u>\$(1,628)</u>

2021

	Beginning balance	Recognized in Profit or loss	Recognized in Other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	\$279	\$969	\$-	\$-	\$1,248
Exchange loss (gain)	658	266	-	-	924
Deferred revenue	1,520	735	-	-	2,255
Unrealized profit on sales	5,285	1,652	-	-	6,937
Sales return	-	464	-	-	464
Deferred tax (expense) /gain		<u>\$4,086</u>	<u>\$-</u>	<u>\$-</u>	
Amount of Deferred net tax asset/ (liabilities)	<u>\$7,742</u>				<u>\$11,828</u>
Information stated on balance sheet is as follows:					
Deferred tax assets	<u>\$7,742</u>				<u>\$11,828</u>
Deferred income tax liabilities	<u>\$-</u>				<u>\$-</u>

3) Unrecognized deferred tax assets

As of December 31, 2022 and December 31, 2021, the Group's unrecognized deferred tax assets were NT\$852 thousand and NT\$2,133 thousand respectively.

4) Filing and review of income tax

As of December 31, 2022, the Company's income tax filing and review conditions are as follows:

	<u>Filing and review of income tax</u>
The Company	Reviewed to 2020
Subsidiary - Ivy Biotechnology Co., Ltd.	Reviewed to 2020
Subsidiary - Bai-Lin Logistics Co., Ltd.	Reviewed to 2020
Subsidiary - Da Yu Property Management Co., Ltd.	Reviewed to 2020

x. Earnings per share (EPS)

The calculation of the basic earnings per share (Basic EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the parent company for the current year by the weighted-average number of ordinary shares outstanding in the current year.

Diluted earnings per share (Diluted EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the Company (after adjusting for the dilution effect) by the weighted-average number of ordinary shares outstanding in the current year

plus all weighted-average number of ordinary shares to be issued when the potential ordinary shares with dilutive effect are converted into ordinary shares.

1) Basic EPS

	<u>2022</u>	<u>2021</u>
Net profit attributable to holders of ordinary shares of the parent company	<u>\$700,071</u>	<u>\$407,418</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	<u>89,145</u>	<u>87,866</u>
Basic EPS (NT\$)	<u>\$7.85</u>	<u>\$4.64</u>

2) Diluted EPS

	<u>2022</u>	<u>2021</u>
Net profit attributable to holders of ordinary shares of the parent company	\$700,071	\$407,418
Redemption gain or loss from issuance of domestic convertible bonds	434	-
Interest from convertible bonds	<u>4,580</u>	<u>174</u>
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	<u>\$705,085</u>	<u>\$407,592</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	89,145	87,866
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	99	82
Employee stock options (in 1,000 shares)	2,506	2,862
Convertible bonds (in 1,000 shares)	<u>1,207</u>	<u>192</u>
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	<u>92,957</u>	<u>91,002</u>
Diluted EPS (NT\$)	<u>\$7.59</u>	<u>\$4.48</u>

There were no significant changes to other transactions in the circulation of outstanding ordinary shares or potential issuance of ordinary shares after the reporting period until the financial statements have been approved and announced.

7. Related Party Transactions

Bonuses for the Group's key managerial officers

	2022	2021
Short-term employee benefits	\$18,903	\$18,075
Retirement benefits	688	666
Share-based payment	588	895
Total	\$20,179	\$19,636

8. Assets Pledged

The Company has pledged the following assets as collateral:

Item	Carrying amount		Content of the secured liabilities
	2022.12.31	2021.12.31	
Financial assets measured at amortized cost - current	\$24,000	\$24,000	Credit card guarantee
Financial assets measured at amortized cost - non-current	3,000	3,000	Purchase contract guarantee
Total	\$27,000	\$27,000	

9. Significant Contingent Liabilities and Unrecognized Contracts

N/A.

10. Contingent Disaster Loss

N/A.

11. Significant Post-reporting Period Matters

N/A.

12. Others

a. Categories of financial instruments

Financial assets

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at fair value through profit or loss compulsory	\$1,620	\$-
Financial assets at fair value through other comprehensive income (loss)	48,833	-
Financial assets measured at amortized cost:		
Cash and cash equivalents	2,458,409	1,308,469
Financial assets measured at amortized cost	27,000	27,000
Notes receivable, net	2,052	2,144
Net accounts receivable	428,696	468,728
Other receivables	114,634	44,412
Subtotal	<u>3,030,791</u>	<u>1,850,753</u>
Total	<u><u>\$3,081,244</u></u>	<u><u>\$1,850,753</u></u>

Financial liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial liabilities at amortized cost:		
Short-term loans	\$-	\$370,000
Accounts payable	2,692,990	2,017,657
Bonds payable (including those maturing within 12 months)	1,167,392	-
Lease liabilities	3,351,451	2,871,175
Total	<u><u>\$7,211,833</u></u>	<u><u>\$5,258,832</u></u>

b. Objective and policy of financial risk management

The objective of the Group's financial risk management is to manage the market risk, credit risk, and liquidity risk related to operating activities. The Group conducts the identification, valuation, and management of the aforementioned risks based on the Group's policy and risk appetite.

The Group has set up appropriate policies, procedures, and internal control in regards to the aforementioned financial risk management based on relevant standards. Material financing activities need to be reviewed by the Board of Directors in regards to relevant standards and internal control system. During implementations of financial management activities, the Group shall strictly abide by the regulations for financial risk management that have been set up.

c. Market risk

The Group's market risk is the risk of changes in fair value or cash flow from financial instruments due to market price changes. Market risk mostly includes exchange rate risk, interest rate risk, and other pricing risks (e.g. equity instruments).

In practice, very few risk variables are single-occurring, and the change in each risk variable is usually correlated. Nevertheless, the sensitivity analysis on the following risks does not take the interactions between various risk variables into consideration.

Exchange rate risk

The Group's operating activities are mostly transactions using the functional currency; therefore, exchange rate risk should not arise.

Interest rate risk

Interest rate risk is the risk of changes in fair value or future cash flow from financial instruments due to changes in market interest rate. The Group's interest rate risk mostly includes variable rate investments classified as variable rate debt instrument investments.

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases or decreases by 0.1%, the Group's 2022 and 2021 income will increase by NT\$1,595 thousand and decrease by NT\$1,308 thousand respectively.

Equity price risk

The Group holds unlisted and non-OTC equity securities, and the fair values are susceptible due to the uncertainties of the future values of such investment targets. The unlisted and non-OTC equity securities held by the Group includes the category of that measured at fair value through other comprehensive income. The Group manages the price risk of equity securities by diversified investments and setting limits for individual and collective equity securities investments. The investment portfolio information of equity securities shall be regularly provided to the senior management of the Group, and the Board of Directors shall review and approve all investment decisions in equity securities.

Please refer to Note 12.8 for sensitivity analysis information of other equity instruments belonging to Rank 3 of the fair value rank.

d. Credit risk management

Credit risk refers to the risk that the counterparty is unable to fulfill contractual obligations and leads to financial loss. The Group's credit risk mostly comes from operating activities (mostly from accounts receivable and notes) and financing activities (mostly bank deposits and various financial instruments).

Each business unit of the Group follows credit risk policy, procedure, and controls in managing credit risks. The credit risk valuation of all trading counterparties comprehensively measures factors including the counterparties' financial status, credit rating, past transaction experiences, current economic environment, and the Group's internal valuations. The Group also adopts certain credit enhancement tools (e.g. prepaid sales and insurance) on a timely basis to reduce the credit risk from certain customers.

As of December 31, 2022 and December 31, 2021, the Group has not had concentration of credit risk on individual customers, so credit risk should be moderate.

The Group's finance department manages credit risk by managing bank deposits and other financial instruments in accordance with the Group policy. As the Group's transaction counterparties are determined by internal control procedures and are banks with good credit and investment-grade financial institutions, the Group is not subjected to material credit risk.

The Group has adopted IFRS 9 in the valuation of expected credit loss. Receivables are measured as loss allowance for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk, and is evaluated on each balance sheet date to determine whether there has been significant increase in credit risk since initial recognition to determine the method of allowance for loss and its rate of loss.

Additionally, when evaluating financial assets that cannot be reasonably recovered, the Group will write-off the assets (for instance, if the issuer or the debtor experiences material financial difficulty or has become bankrupt).

e. Liquidity risk management

The Group maintains financial flexibility through contracts including cash and cash equivalents, convertible bonds, and leases. The following table summarizes the maturity of the payments contained in the contracts of the Group's financial liabilities. It is compiled based on the date on which the earliest possible repayment is required using its undiscounted cash flow. The amounts listed also include contracted interest. For interest cash flow paid using variable rate, its undiscounted interest is obtained through the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
<u>2022.12.31</u>							
Accounts payable	\$2,692,990	\$-	\$-	\$-	\$-	\$-	\$2,692,990
Bonds payable	-	-	1,220,000	-	-	-	1,220,000
Lease liabilities	426,864	411,786	398,644	381,797	353,896	1,689,325	3,662,312
<u>2021.12.31</u>							
Short-term loans	\$370,457	\$-	\$-	\$-	\$-	\$-	\$370,457
Accounts payable	2,017,657	-	-	-	-	-	2,017,657
Lease liabilities	365,160	358,775	343,508	329,362	311,199	1,408,694	3,116,698

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities in 2022:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2022.01.01	\$370,000	\$56,005	\$2,871,175	\$-	\$3,297,180
Cash flow	(370,000)	35,750	(401,665)	1,257,088	521,173
Non-cash changes					
Changes in scope of lease for the period	-	-	845,833	-	845,833
Others	-	-	-	(95,294)	(95,294)
Interest expenses	-	-	36,107	5,598	41,705
2022.12.31	\$-	\$91,755	\$3,351,450	\$1,167,392	\$4,610,597

Information on adjustments of liabilities in 2021:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2021.01.01	\$370,000	\$40,189	\$2,569,522	\$40,583	\$3,020,294
Cash flow	-	15,816	(333,049)	(2,000)	(319,233)
Non-cash changes					
Changes in scope of lease for the period	-	-	603,362	-	603,362
Corporate bonds conversion	-	-	-	(38,778)	(38,778)
Interest expenses	-	-	31,340	195	31,535
2021.12.31	\$370,000	\$56,005	\$2,871,175	\$-	\$3,297,180

g. Fair value of financial instruments

1) Valuation technique and assumptions used in measuring fair value

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The Group's method and assumptions in valuating or disclosing the fair value of financial assets and financial liabilities are as follows:

- i. The carrying amount of the cash and cash equivalents, account receivables, account payables and other current liabilities is a reasonable approximation of the fair value, mainly because the period of maturity of such instruments is short.
- ii. The fair value of financial assets and financial liabilities that are traded in active market and have standard terms and conditions are determined by reference to market quotations (e.g., listed and traded stocks and bonds).
- iii. For equity instruments without active market (e.g. private placement of shares in listed cabinets, shares of publicly issued companies without active markets, and shares of undisclosed companies), fair value is estimated at market value, which is the price generated by market transactions of the same or comparable equity instruments and other relevant information (e.g. lack of liquidity discount factor, similar price-to-earnings (P/E) ratio, similar price per book value or more).
- iv. For debt instrument investments without active market, bank loans, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

2) Fair value of financial instruments measured at amortized cost

Except for the following, the carrying amount of the Group's financial assets and financial liabilities measured at amortized cost is a close approximation of their fair value.



	Carrying value	
	2022.12.31	2021.12.31
Financial liabilities:		
Bonds payable	\$1,167,392	\$-
	Fair value	
	2022.12.31	2021.12.31
Financial liabilities:		
Bonds payable	\$1,174,894	\$-

3) Fair value ranked information of financial instruments

Please refer to Note 12.9 for fair value ranked information of financial instruments.

h. Derivative financial instruments

Information about derivative financial instruments held by the Group that do not qualify for hedge accounting and are not yet due is as follows:

Embedded derivative financial instruments

The embedded derivative financial instruments identified by the Group as a result of the issuance of convertible corporate bonds were separated from the host contract and treated as measured at fair value through profit and loss. Please refer to Note 6 for the contract information of the transaction.

i. Ranking of fair value

1) Definition of fair value ranking

All assets and liabilities measured or disclosed at fair value are classified at their fair value rank based on the lowest rank of input that is material to the overall fair value. Input value of each rank is as follows:

Rank 1: Quotation (unadjusted) of the same asset or liability from an active market can be obtained on the measurement date.

Rank 2: Input value can be directly or indirectly observed for an asset or liability, except for the quotations at rank 1.

Rank 3: Unobservable input value for assets and liabilities.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, revaluation of their respective classification shall be required at the end of each reporting period to determine whether there has been a transfer between ranks of fair value.

2) Information on measurement of fair value ranks

The Group does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below:

December 31, 2022:

	<u>Rank 1</u>	<u>Rank 2</u>	<u>Rank 3</u>	<u>Total</u>
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$1,620	\$1,620
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	-	-	48,833	48,833

December 31, 2021: None.

Transfer between rank 1 and rank 2 of fair value ranks

There were no transfers between rank 1 and rank 2 of fair value ranks from January 1, 2021 to December 31, 2022.

Details on changes in repetitive fair value rank 3

For the Group's assets and liabilities measured at repetitive fair value that are categorized as Rank 3, adjustments from beginning to ending balance is as follows:

	<u>Asset</u>	
	<u>Measured at fair value through profit and loss</u>	<u>Measured at fair value through other comprehensive income</u>
	<u>Derivative instruments</u>	<u>Stock and preferred stock</u>
2022.01.01	\$-	\$-
Acquired/issued during the period	2,054	50,000
Recognized in profit and loss during the period (recognized under "Other gains and losses")	(434)	-
recognized in other comprehensive income (presented in "unrealized valuation gain or loss on equity instrument investment measured at fair value of other comprehensive income")	-	(1,167)
2022.12.31	<u>\$1,620</u>	<u>\$48,833</u>

In the total profit or loss recognized above, the amount of profit or loss related to assets held as of September 30, 2022 is NT\$ (434) thousand.

Information on material unobservable input in fair value rank 3

The following table presents the significant unobservable input value for fair value measurement for the Company's assets measured at repetitive fair value in the fair value rank 3:

December 31, 2022

	Valuation techniques	Material unobservable input value	Quantitative information	Relations between input value and fair value	Sensitivity analysis value relationship between input value and fair value
<u>Financial assets:</u>					
<u>Measured at fair value through profit and loss</u>					
Embedded derivatives	Binary tree convertible bond valuation model	Volatility	45.91%~45.98 %	The higher the volatility, the higher the fair value estimates	When the volatility increases (decreases) by 1%, the profit or loss on the Group will increase/decrease by NT\$222 thousand
<u>Financial assets at fair value through other comprehensive income (loss)</u>					
Stock	Market Law	Lack of liquidity discount	30%	The higher the degree of lack of liquidity, the lower the fair value estimation	When the percentage of lack of liquidity increases (decreases) by 1%, the equity in the Company will decrease/increase by NT\$44 thousand

December 31, 2021: None.

- 3) Ranked information not measured at fair value but fair value disclosure is required

December 31, 2022:

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Bonds payable (see Note 6.12 for details)	\$-	\$-	\$1,174,894	\$1,174,894

December 31, 2021: None.

- j. Information on financial assets and financial liabilities in foreign the currency with material effect: Not applicable.

k. Capital management

The most important objective of the Group's capital management is to ensure that a healthy credit rating and positive capital ratio can be preserved to support the maximization of business management and shareholders' rights. The Group manages and adjusts capital structure based on economic conditions. We may achieve the objective of preserving and adjusting capital structure through adjusting dividend payment or issuance of new shares.

13. Notes on Disclosures

a. Information on Significant Transactions

- 1) The Company's capital financing for others: None.
- 2) The Company's endorsement/guarantee for others: None.
- 3) Securities holders at the end of the period (excluding investment subsidiaries, affiliates enterprises and joint venture interests): please refer to Table 1.
- 4) The Company's cumulative buy or sell of an individual marketable security of at least NT\$300 million or 20% of the paid-in capital in this period: None.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 2.
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Purchases from and sales to related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 4.
- 9) Derivatives transactions: None.
- 10) Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries: Please see Table 8.

b. Information on Reinvestments

- 1) When it has a significant influence or control over the investee company, the relevant information of the investee company (excluding the mainland China investee company) should be disclosed: please refer to Table 5.
- 2) Disclosure of Investee Information in Note 13.1 When the Company Has Control over the Investee Company:
 - a) Capital financing for others: None.
 - b) Endorsement/guarantee for others: None.
 - c) Securities holders at the end of the period (excluding investment subsidiaries,

affiliated enterprises and joint venture interests): None.

- d) Cumulative buy or sell of an individual marketable security of at least NT\$300 million or 20% of the paid-in capital in this period: None.
 - e) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - f) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - g) Transactions with related parties amounting to NT\$100 million or 20% more than the paid-in capital: please refer to Table 6.
 - h) Receivables from related parties amounting to NT\$100 million or 20% more than the paid-in capital: please refer to Table 7.
 - i) Derivatives transactions: None.
- c. Information on investments in Mainland China: None.
- d. Information on Substantial Shareholders

Name of substantial shareholder	Shares Number of shares held	Shareholding ratio
Jun Wei Investment Co., Ltd.	11,907,440	13.25 %
Zhen Han Investment Co., Ltd.	9,885,264	11.00 %
Hao Cheng Investments Co., Ltd.	6,897,715	7.67 %
Feastgether Gruoup Co., Ltd.	4,527,254	5.03 %

14. Departmental Information

- a. Revenues from the Group mostly come from sales of various medicine, health foods, maternity and infant products, and cosmetics. The Group's operational decision-makers will review the overall operating results to establish decisions regarding Company resources and to evaluate overall performance. Hence, it is a single business unit, and adopts the same fundamental compilations and preparations as the compilation and explanations of material accounting policies summarized in Note 4.
- b. Region-specific information
 - 1) Revenue from external customers (Note):

	2022	2021
Taiwan	\$14,529,995	\$11,256,882
Mainland China	33,766	24,060
Malaysia	884	-
Total	<u>\$14,564,645</u>	<u>\$11,280,942</u>

Note: revenue is classified based on the country of the customer.

2) Non-current assets:

	<u>2022</u>	<u>2021</u>
Taiwan	\$4,293,861	\$3,636,180
Others	113	-
Total	<u>\$4,293,974</u>	<u>\$3,636,180</u>

c. Information on substantial customers

The Group does not have any single customer whose sales revenue accounts for 10% or more of the Group's consolidated operating net revenue.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests)

As of December 31, 2022

Unit: in NT\$1,000

Name of Held Company	Types and names of securities (Note 1)	Relationship with securities issuer (Note 2)	Financial statement account	End of the Period				Notes (Note 3)
				Number of shares/units	Carrying amount	Shareholding ratio	Fair value	
Great Tree Pharmacy Co., Ltd.	<u>Stock</u> Top Taiwan XIV Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income Less: Adjustment of Equity instrument investment measured at fair value measured through other comprehensive income	5,000,000	\$50,000	2.50%	<u>\$48,833</u>	None
			Total		<u>\$48,833</u>			

Note 1: The term “marketable securities” as used in this table refers to stocks, bonds, beneficiary certificates and securities derived from the above-mentioned items within the scope of IAS 9 “Financial Instruments”.

Note 2: Issuers of marketable securities that are not related persons are exempt from this column.

Note 3: For those listed marketable securities are subject to restricted use due to provision of collateral, pledged loans or other agreements, they shall be indicated in the remarks column for the number of guaranteed or pledged shares, the amount of guarantee or pledged and the restricted usage.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital

January 1, 2022 to December 31, 2022

Unit: in NT\$1,000

Company acquired the real property	Name of property	Date of occurrence of event	Transaction amount	Payment status	Counterparty	Relations	Information on prior transactions for counterparty of related party				Basis of reference for price determination	Purpose and use	Other agreed matters
							Owner	Relationship with the Company	Transfer date	Amount			
Great Tree Pharmacy Co., Ltd.	Taoyuan Aerotropolis Project Priority Industrial Dedicated area land - Base B	2022.06.22	(Note)	Per the contract	Taoyuan City Government	None	None	None	None	None	A bid to Taoyuan City Government for auction	Future long-term business development is needed to increase operational performance.	Per the contract

Note: Jointly bid with Company A and won the bid with a total price of NT\$1,679,968 thousand on July 28, 2021.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital

January 1, 2022 to December 31, 2022

Unit: in NT\$1,000

Company that imports (sells) goods	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Imports (sale) goods	Amount	Ratio to total inputs (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total notes receivable (paid) to accounts receivable	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	\$3,803,892	26.15%	Offset of debts and claims	No other customers for comparison	Non-related parties: 60-120 days credit	Notes payable \$490,032	58.36%	Note
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	\$608,982	5.33%	Credit 30 days	No other vendor for comparison	Non-related parties: 60-90 days credit	Notes payable \$123,885	14.75%	Note
									Accounts payable \$50,379	3.33%	Note

Note: It has already been charged-off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Receivables from Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital

December 31, 2022

Unit: in NT\$1,000

Company name	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount Collected Subsequent to the Balance Sheet Date	Allowance for doubtful accounts
					Amount	Treatment		
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	\$490,032 <u>(Note)</u>	<u>8.73</u>	<u>\$-</u>	-	<u>\$49,716</u>	<u>\$-</u>

Note: It has already been charged-off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

When it has a significant influence or control over the investee company, it should disclose the relevant information of the investee company (excluding the mainland China investee company)

December 31, 2022

Unit: in NT\$1,000

Name of investing company	Investee	Location	Major operations	Initial investment amount		Ending balance			Profit (Loss) of Investee for the Period	Investment income (loss) recognized by the Company for the period	Remark
				Ending balance for the period	Year-end in previous year	Shareholding	Rate %	Carrying amount			
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	No. 145, Chengzhang Fourth Street, Zhongjiao District, Taoyuan City	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs, health supplements, maternity and infant products, and cosmetics	\$40,612	\$40,612	5,900,000 shares	100.00%	\$143,161	\$114,182	\$87,479 (Note 1)	Note 3
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	No. 1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City.	Wholesale and retail business, and packaging and warehousing services of foods and assorted goods, beverages, daily supplies, cleaning products and cosmetics	\$2,000	\$2,000	200,000 shares	100.00%	\$8,381	\$5,420	\$5,420	Note 3
Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	No. 143, Chengzhang Fourth Street, Zhongxiaoli District, Taoyuan City	Retail business of animal medication, aquarium fish, and retail and wholesale business of pet food and supply	\$90,000	\$30,000	9,000,000 shares	100.00%	\$62,166	\$(21,941)	\$(21,941)	Note 3
Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	No.39-1, JalanAnggerik VanillaBF31/BF,Kota Kemuning,Seksyen31, 40460ShanAlam,Selangor,Malaysia	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs and other products	\$10,256	Not applicable	1,500,000 shares	75.00%	\$9,815	\$(315)	\$(236)	Note 3
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	No. 143, Chengzhang Fourth Street, Zhongjiao District, Taoyuan City	Management consultancy, housing and commercial building development, lease and sales, development of special zones, real estate sales and lease, and development, lease, and sales of factory buildings	\$36,000	\$36,000	3,600,000 shares	60.00%	\$31,706	\$1,278	\$767	Note 3

Note 1: Includes income from investment recognized using equity method for the period of NT\$114,182 thousand, write-off for lease transaction with related party NT\$724 thousand, realized profit from upstream transactions in previous period of NT\$34,682 thousand, and unrealized profit from upstream transactions for this period of NT\$60,661 thousand.

Note 2: On November 11, 2021, the Company was resolved by the Board of Directors to expand its business in mainland China. A wholly-owned subsidiary of Greattree Pharmacy Hong Kong Limited was established by direct investment of the Company and registration was completed on April 8, 2022. Greattree Sugi Pharmacy Hong Kong Limited was established by Greattree Pharmacy Hong Kong Limited with a shareholding ratio of 60%. The registration was completed on October 26, 2022. As of December 31, 2022 the investment amount has not yet been remitted..

Note 3: It has already been charged-off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital

January 1, 2022 to December 31, 2022

Unit: in NT\$1,000

Company that imports (sells) goods	Counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Imports (sale) goods	Amount	Ratio to total inputs (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total notes receivable (paid) to accounts receivable	
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	\$608,982	99.93%	Credit 30 days	No other customers for comparison	Non-related parties 30-60 days credit	Notes receivable \$123,885	99.88%	Note
									Accounts receivable \$50,379	99.94%	Note
Bai-Lin Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$3,803,892	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable \$490,032	100.00%	Note

Note: It has already been charged-off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Receivables from Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital

December 31, 2022

Unit: in NT\$1,000

Company name	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount Collected Subsequent to the Balance Sheet Date	Allowance for doubtful accounts
					Amount	Treatment		
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	\$174,264	3.39	\$-	-	\$51,308	\$-
			(Note)					

Note: It has already been charged-off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Business Relationships and Significant Intercompany Transactions

Unit: in NT\$1,000

Code (Note 1)	Name of counterparty	Transaction counterparty	Relationship with Traders (Note 2)	Transaction status			
				Item	Amount	Transaction conditions	Ratio to total consolidated revenue or assets (Note 3)
	2022.01.01~2022.12.31						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	\$608,982	Credit 30 days	4.18%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Rental revenue	7,198	-	0.05%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts receivable	116	Credit 30 days	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	19,868	-	0.20%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Notes payable	123,885	Credit 30 days	1.22%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	50,379	Credit 30 days	0.50%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other payables	118	-	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Guarantee deposits	240	-	-
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Sales	3,803,892	Offset of debts and claims	26.12%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Shipping fee	15,821	Offset of debts and claims	0.11%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	490,032	Offset of debts and claims	4.84%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Other payables	124	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Rental revenue	4,857	Credit 30 days	0.03%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other income	1,381	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts receivable	800	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other receivables	1,357	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts payable	7	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other payables	699	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Rental expenses	1,943	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	1	Other receivables	158	-	-

Note 1: The information on business dealings between the parent company and subsidiaries should be numbered in the "Code" column with the following coding method:

1. The parent company is 0.
2. Subsidiaries are numbered sequentially beginning with the Arabic numeral 1.

Note 2: Relations with counterparty can be any one of the following three types:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries.

Note 3: Regarding the percentage of the transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on the interim accumulated amount to consolidated net revenue for profit or loss items.

Note 4: Amounts in foreign currency will be converted to NTD by the exchange rate as of the balance sheet date.

V. Audited Parent Company Only Financial Statements for the Most Recent Year

Independent Auditors' Report

To Great Tree Pharmacy Co., Ltd.,

Audit Opinion

We have audited the accompanying Parent Company Only Balance Sheets of Great Tree Pharmacy Co., Ltd. (the "Company") as of December 31, 2022 and December 31, 2021, and the related Parent Company Only Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years ended December 31, 2022 and December 31, 2021, as well as Notes to the Parent Company Only Financial Statements, including the Summary of Significant Accounting Policies (together "the Parent Company Only Financial Statements").

Based on the opinion of our CPA, the Parent Company Only Financial Statements in the preceding paragraph have been prepared according to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and may fairly present, in all material aspects, the individual financial status of Great Tree Pharmacy Co., Ltd. as of December 31, 2022 and December 31, 2021, as well as its individual financial performance and individual cash flow from January 1, 2022 to December 31, 2022 and from January 1, 2021 to December 31, 2021.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 Parent Company Only Financial Statements. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Great Tree Pharmacy Co., Ltd. recognized operating revenue of NT\$14,547,957 thousand in 2022. Since the Company's sources of revenue include different selling models such as retail transactions at pharmacies and revenue from management services and more, the judgment over performance obligation and the timing of its fulfillment over customer orders or contracts was needed, therefore leading to significant risk of revenue recognition. Hence, we have decided to include this as a key audit matter. Our audit procedures include (but are not limited to): understanding each selling model, evaluating the appropriateness of revenue recognition policy related to obligation fulfillment under each model, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle, conducting detailed testing by sampling the sales receipts, and conducting analytical review procedure and carrying out cut-off tests and more. We have also considered the appropriateness of revenue disclosure identified in Note 6 of the Parent Company Only Financial Statements.

Inventory Valuation

As of December 31, 2022, the net inventory of Great Tree Pharmacy Co., Ltd. was NT\$2,256,323 thousand, accounting for 23% of the individual total asset. Great Tree Pharmacy Co., Ltd.'s main business involves trading of maternity and infant products as well as various drugs. Most of their products have shelf lives, leading evaluations of allowance for inventory valuation and obsolescence loss to require material judgment of the Company's management. Therefore, this was included as a key audit matter. Our audit procedures include (but are not limited to): evaluating the appropriateness of the policy of allowance for inventory valuation and obsolescence loss, evaluating the management method for near expiring goods and identification of expired inventory and testing the effectiveness of the relevant internal control, sampling the inventory aging report to test its accuracy and selecting significant inventory location for physical inventory observation and count, and inspecting current inventory and utilization status and more. We have also taken the appropriateness of inventory disclosure in Note 5 and Note 6 in the Notes to Parent Company Only Financial Statements into consideration.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company Only Financial Statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of Parent Company Only Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company Only Financial Statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Material misstatement may result from fraud or error. Misstatement could be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Parent Company Only Financial Statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Great Tree Pharmacy Co., Ltd.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Parent Company Only Financial Statements, including the accompanying Notes, and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the individual entities in the Group to express an opinion on the Parent Company Only Financial Statements. We are responsible for the guidance, supervision, and implementation of the Group's audit and responsible for forming audit opinions on the Group.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 Parent Company Only Financial Statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Financial Report of TWSE Listed Company as Authorized by the
Competent Authority

Auditing and Attestation: No. (2017) FSC No. 1060026003

No. (1998)TCZ(VI)65315

Certified Public Accountant (CPA)

Lo Hsiao Chin

Mars Hong

February 23, 2023

Great Tree Pharmacy Co., Ltd.
Parent Company Only Balance Sheets
As of December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Asset			December 31, 2022		December 31, 2021	
Code	Accounting item	Note	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4 and 6.1	\$2,308,206	23	\$1,247,408	17
1136	Financial assets measured at amortized cost	4, 6.4 and 8	24,000	-	24,000	-
1150	Notes receivable, net	4 and 6.5	1,902	-	2,144	-
1170	Net accounts receivable	4 and 6.6	348,277	5	421,827	6
1180	Net accounts receivable - related parties	4, 6.6 and 7	490,948	5	381,865	5
1200	Other receivables		113,689	1	43,213	1
1210	Other receivables - related parties	7	21,383	-	35,100	-
1300	Inventory	4 and 6.7	2,256,323	23	1,532,599	21
1410	Prepayments		37,892	-	13,913	-
1470	Other current assets		5,758	-	9,744	-
	Total current assets		5,608,378	57	3,711,813	50
15xx	Non-current assets					
1510	Financial assets measured at fair value through profit and loss	4, 6.2 and 6.14	1,620	-	-	-
1517	Financial assets at fair value through other comprehensive income (loss)	4 and 6.3	48,833	1	-	-
1535	Financial assets measured at amortized cost	4, 6.4 and 8	3,000	-	3,000	-
1550	Investments accounted for using the equity method	4 and 6.8	223,523	2	145,803	2
1600	Property, plant, and equipment	4 and 6.9	742,243	7	690,429	10
1755	Right-of-use assets	4 and 6.20	3,041,634	31	2,722,065	37
1780	Intangible assets	4 and 6.10	26,149	-	18,747	-
1840	Deferred tax assets	4 and 6.24	18,941	-	11,828	-
1900	Other non-current assets	4 and 6.11	208,788	2	94,534	1
	Total non-current assets		4,314,731	43	3,686,406	50
1xxx	Total assets		\$9,923,109	100	\$7,398,219	100

(Please refer to the accompanying Notes to Parent Company Only Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Parent Company Only Balance Sheets (continued)

As of December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Liabilities and Equity		December 31, 2022		December 31, 2021	
	Accounting item	Note	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	6.12	\$-	-	\$370,000	5
2130	Contract liabilities	4 and 6.18	16,361	-	11,790	-
2150	Notes payable		716,018	7	556,961	7
2160	Notes payable - related parties	7	123,885	1	134,581	2
2170	Accounts payable		1,464,705	15	1,091,721	15
2180	Accounts payable - related parties	7	50,386	1	50,802	1
2200	Other payables	6.13 and 6.15	378,523	4	275,696	4
2220	Other payables - related parties	7	941	-	242	-
2230	Tax liabilities for this period	4 and 6.24	118,807	1	69,042	1
2280	Lease liabilities	4 and 6.20	387,569	4	303,748	4
2300	Other current liabilities		24,615	-	24,381	-
	Total current liabilities		3,281,810	33	2,888,964	39
25xx	Non-current liabilities					
2530	Bonds payable	4 and 6.14	1,167,392	12	-	-
2572	Deferred income tax liabilities	4 and 6.24	1,628	-	-	-
2580	Lease liabilities	4 and 6.20	2,778,487	28	2,518,332	34
2640	Net defined benefit liabilities	4 and 6.15	4,307	-	5,645	-
2645	Guarantee deposits	7	89,157	1	53,408	1
	Total non-current liabilities		4,040,971	41	2,577,385	35
2xxx	Total liabilities		7,322,781	74	5,466,349	74
31xx	Equity attributable to shareholders of parent company					
3100	Share capital	6.16				
3110	Ordinary share capital		891,352	9	700,431	9
3140	Prepaid share capital		7,239	-	6,679	-
3200	Capital surplus	6.16	867,945	9	726,345	10
3300	Retained earnings	6.16				
3310	Legal capital reserve		133,468	1	92,969	1
3350	Unappropriated earnings		701,696	7	405,446	6
36xx	Other equity		(1,372)	-	-	-
	Total equity		2,600,328	26	1,931,870	26
	Total liabilities and equity		\$9,923,109	100	\$7,398,219	100

(Please refer to the accompanying Notes to Parent Company Only Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars, except for earnings per share)

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	4, 6.18 and 7	\$14,547,957	100	\$11,322,396	100
5000	Operating costs	7	(10,701,896)	(74)	(8,480,073)	(75)
5900	Gross profit		3,846,061	26	2,842,323	25
6000	Operating expenses	7				
6100	Selling and marketing expenses		(2,670,262)	(18)	(2,071,890)	(18)
6200	General and administrative expenses		(404,702)	(3)	(340,220)	(3)
	Total operating expenses		(3,074,964)	(21)	(2,412,110)	(21)
6900	Operating profit		771,097	5	430,213	4
7000	Non-operating income and expenses					
7100	Interest income	6.22	4,190	-	714	-
7010	Other income	6.22 and 7	43,038	-	40,004	-
7020	Other gains and losses	6.22	13,729	-	155	-
7050	Financing costs	6.22	(44,636)	-	(34,507)	-
7070	Shares of subsidiaries, affiliates, and joint ventures measured at the equity method		70,722	-	55,400	-
	Total non-operating income and expenses		87,043	-	61,766	-
7900	Net profit before tax		858,140	6	491,979	4
7950	Income tax expenses	4 and 6.24	(158,069)	(1)	(84,561)	(1)
8200	Net income		700,071	5	407,418	3
8300	Other comprehensive income (loss), net	6.23				
8310	Items that will not be reclassified to profit or loss:					
8311	Remeasurement of defined benefit plans		1,161	-	(2,428)	-
8316	Equity instruments measured at fair value through other comprehensive income		(1,167)	-	-	-
	Unrealized valuation gains (losses) on investments					
8360	Items that may subsequently be reclassified to profit or loss					
8380	Other comprehensive profit or loss shares of subsidiaries, affiliates, and joint ventures measured at the equity method		(205)	-	-	-
	Other comprehensive income (loss) (net value after tax) for this period		(211)	-	(2,428)	-
8500	Total comprehensive income (loss)		\$699,860	5	\$404,990	3
	Earnings per share, EPS (NT\$)					
9750	Basic EPS	6.25	\$7.85		\$4.64	
9850	Diluted EPS	6.25	\$7.59		\$4.48	

(Please refer to the accompanying Notes to Parent Company Only Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	Share capital 3100	Prepaid share capital 3140	Capital surplus 3200	Retained earnings		Other equity items		Total equity 3XXX
					Legal capital reserve 3310	Unappropriated earnings 3350	Exchange differences translated from the financial statements of foreign operations 3410	Unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive profit or loss 3420	
A1	Balance as of January 1, 2021	\$530,659	\$2,787	\$658,506	\$73,419	\$233,891	\$-	\$-	\$1,499,262
	Appropriation of earnings in 2020								
B1	Legal capital reserve				19,550	(19,550)			-
B5	Cash dividends					(53,471)			(53,471)
B9	Share dividends	160,414				(160,414)			-
D1	2021 net income					407,418			407,418
D3	Other comprehensive income (loss) in 2021					(2,428)			(2,428)
D5	Total comprehensive income (loss)	-	-	-	-	404,990	-	-	404,990
I1	Convertible corporate bond conversion	9,358	(2,787)	32,207					38,778
N1	Share-based payment transaction		6,679	29,459					36,138
T1	Others - issuance of employee stock options			6,173					6,173
Z1	Balance as of December 31, 2021	700,431	6,679	726,345	92,969	405,446	-	-	1,931,870
	Appropriation of earnings in 2021								
B1	Legal capital reserve				40,499	(40,499)			-
B5	Cash dividends					(182,242)			(182,242)
B9	Share dividends	182,241				(182,241)			-
C5	Recognized equity components arising from the issuance of convertible bonds - stock options			97,348					97,348
D1	2022 net income					700,071			700,071
D3	Other comprehensive income (loss) in 2022					1,161	(205)	(1,167)	(211)
D5	Total comprehensive income (loss)	-	-	-	-	701,232	(205)	(1,167)	699,860
N1	Share-based payment transactions	8,680	560	37,508					46,748
T1	Others - issuance of employee stock options			6,744					6,744
Z1	Balance as of December 31, 2022	\$891,352	\$7,239	\$867,945	\$133,468	\$701,696	\$(205)	\$(1,167)	\$2,600,328

(Please refer to the notes to the Parent Company Only financial statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2022	2021	Code	Item	2022	2021
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for the period	\$858,140	\$491,979	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(50,000)	-
A20000	Adjustment items:			B01800	Acquisition of investments accounted for using the equity method	(70,257)	(30,000)
A20010	Gain or loss items that do not affect cash flows:			B02700	Acquisition of property, plant, and equipment	(253,752)	(246,182)
A20100	Depreciation expense (including right-of-use assets)	579,829	484,023	B02800	Disposal of property, plant, and equipment	7,364	3,286
A20200	Amortization expenses	4,323	2,902	B03700	(Increase) decrease in deposits	(105,606)	(16,852)
A20400	Valuation loss (gain) on financial liabilities measured at fair value through profit or loss	434	-	B04500	Acquisition of intangible assets	(11,725)	(3,631)
A20900	Interest expenses	44,636	34,507	BBBB	Net Cash inflow (outflow) from investing activities	<u>(483,976)</u>	<u>(293,379)</u>
A21200	Interest income	(4,190)	(714)	CCCC	Cash flow from financing activities:		
A21900	Cost of share-based payments	6,744	6,173	C00100	Decrease in short-term loans	(370,000)	-
A22300	Shares of subsidiaries, affiliates, and joint ventures measured at the equity method	(70,722)	(55,400)	C00120	Issuance of corporate bonds	1,257,088	-
A22500	Loss on disposal of property, plant, and equipment	(1,123)	(101)	C00130	Repayments of bonds	-	(2,000)
A29900	Other item - gain on lease modification	(502)	(2,598)	C03000	Increase in guarantee deposits received	35,749	18,806
A30000	Changes in assets/liabilities related to operating activities:			C04020	Repayment of principal on loan	(391,343)	(326,145)
A31130	(Increase) decrease in notes receivable	242	2,373	C04500	Cash dividends	(182,242)	(53,471)
A31150	(Increase) decrease in accounts receivable	73,550	(126,575)	C04800	Employees exercising share option	46,748	36,138
A31160	(Increase) decrease in accounts receivable - related parties	(109,083)	(110,086)	CCCC	Net cash inflow (outflow) from financing activities	<u>396,000</u>	<u>(326,672)</u>
A31180	(Increase) decrease in other receivables	(70,476)	25,563	EEEE	Amount of Increase (decrease) in cash and cash equivalents for the period	1,060,798	437,881
A31190	(Increase) decrease in other receivables - related parties	13,717	12,487	E00100	Beginning balance of cash and cash equivalents	<u>1,247,408</u>	<u>809,527</u>
A31200	(Increase) decrease in inventories	(723,724)	(307,554)	E00200	Ending balance of cash and cash equivalents	<u>\$2,308,206</u>	<u>\$1,247,408</u>
A31230	(Increase) decrease in prepayments	(23,979)	8,613				
A31240	(Increase) decrease in other current assets	3,986	(7,399)				
A32125	Increase (decrease) in contract liabilities	4,571	3,686				
A32130	Increase (decrease) in notes payables	159,057	228,260				
A32140	Increase (decrease) in notes payable - related parties	(10,696)	(6,244)				
A32150	Increase (decrease) in accounts payables	372,984	306,352				
A32160	Increase (decrease) in accounts payable - related parties	(416)	2,387				
A32180	Increase (decrease) in other payables	91,404	61,068				
A32190	Increase (decrease) in other payables - related parties	699	-				
A32230	Increase (decrease) in other current liabilities	234	1,908				
A32240	Increase (decrease) in net defined benefit liabilities	(177)	(208)				
A33000	Cash inflow (outflow) from operating activities	<u>1,199,462</u>	<u>1,055,402</u>				
A33100	Interest received	4,190	714				
A33200	Dividends received	63,054	51,035				
A33300	Interest paid	(4,143)	(3,595)				
A33500	Income tax paid	(113,789)	(45,624)				
AAAA	Net cash inflow (inflow) from operating activities	<u>1,148,774</u>	<u>1,057,932</u>				

(Please refer to the notes to the Parent Company Only financial statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Notes to Parent Company Only Financial Statements

(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Company overview

Great Tree Pharmacy Co., Ltd. (hereinafter referred to as "the Company") was authorized to be established on May 15, 2001. Our main businesses include management and trade of various drugs, health supplements, maternity and infant products, and cosmetics products. We also provide coordinated medicine procurement services to various clinics, outpatient centers, and medical communities. Besides, we are also an agency for domestic and foreign health care products sold in clinics, outpatient centers, and medical communities.

The Company's initial public offering (IPO) was on March 29, 2016 at the Taipei Exchange (TPEX). The Company's registered address and the main business operating site is at No.143, Chengzhang 4th Street, Zhongli District, Taoyuan City.

2. Dates and Procedures of Approving Financial Statements

The Company's individual financial reports for the years 2022 and 2021 were approved by the Board of Directors on February 23, 2023.

3. Applicability of New and Amended Accounting Principles and Explanations

- a. Changes in accounting policy from the first-time adoption of International Financial Reporting Standards (IFRS):

The Company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application since January 1, 2022. The first-time application has had no significant impact on the Company.

- b. As of the approval and announcement date of the financial statements, the Company has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Disclosure Initiative - Accounting Policies (amendment to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
3	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendment to IAS 12)	January 1, 2023

- 1) Disclosure Initiative - Accounting Policies (amendment to IAS 1)

The objective of the amendment was to improve accounting policy disclosures and help stakeholders provide more relevant information for investors and primary users of financial statements.

2) Definition of Accounting Estimates (amendment to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to help entities distinguish changes in accounting estimates from changes in accounting policies.

3) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendment to IAS 12)

This amendment narrows down the scope of exemption on deferred tax recognition in Paragraphs 15 and 24 in IAS 12, making said exemption inapplicable to the same amount of taxable and deductible temporary difference that arises during initial recognition.

The abovementioned standards and interpretations are issued by IASB and have been recognized by FSC, and will be applicable for annual periods beginning on or after January 1, 2023. According to the Company's evaluation, the new standards, amendments or interpretations have no material impact on the Company.

- c. As of the approval and announcement date of the financial statements, the Company has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, amended, standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending resolution from the IASB
2	IFRS 17 - Insurance Contracts	January 1, 2023
3	Liabilities classified as current or non-current (amendment to IAS 1)	January 1, 2024
4	Lease liabilities of sales and leaseback (amendment to IFRS 6)	January 1, 2024
5	Non-current liabilities in contracts (amendment to IAS 1)	January 1, 2024

- a) Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This project addresses the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. IAS 28 requires that gains and losses resulting from upstream and downstream transactions between an investor and its associate or a joint venture should only be recognized to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires that any investment the parent has in the former subsidiary after control is lost should be measured at fair value and that any resulting gain or loss should be

recognized in profit or loss. These amendments prohibit the aforementioned regulations from IAS 28; when the loss of control of a business, as defined in IFRS 3 occurs, all gains or losses arising from which shall be recognized.

These amendments also revise IFRS 10 in which a partial gain or loss should be recognized in accounting for the sale or contributions of assets or subsidiaries that do not constitute a business between an investor and its associate or joint venture as defined in IFRS 3.

b) IFRS 17 - Insurance Contracts

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the carrying amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided.

This standard was issued in May 2017 and was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. This standard replaces the interim standard (IFRS 4 Insurance Contracts).

c) Liabilities classified as current or non-current (amendment to IAS 1)

This amendment targets sections 69-76 in IAS 1 -Presentation of Financial Statements concerning the classification of liability as either current or non-current.

d) Lease liabilities of sales and leaseback (amendment to IFRS 6)

This is an additional accounting treatment for IFRS 16 "Leases" for an increase in sales and leaseback transactions of sellers and lessees to ensure consistent application of the standard.

e) Non-current liabilities in contracts (amendment to IAS 1)

This amendment enhances the information on long-term liabilities contracts provided by enterprises. It describes the contractual obligations to be complied with for the 12 months after the reporting period without affecting the classification of these liabilities as current or non-current at the end of the reporting period.

For the aforementioned standards or interpretations announced by the IASB but have not yet been approved by the FSC, the actual adoption date will be made in accordance with the FSC. The Group has evaluated that the aforementioned newly announced or amended standards or interpretations do not pose material effects on the Group.

4. Explanations of Major Accounting Policies

a. Declaration of compliance

The Company's 2022 and 2021 Parent Company Only Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparations

The Company's Parent Company Only Financial Statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Pursuant to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current gain or loss and other comprehensive income in the Parent Company Only Financial Statements is equal to the current gain or loss and other comprehensive income as attributable to owners of parent company in the Consolidated Financial Statements. Furthermore, the owner's equity in the Parent Company Only Financial Statements is equal to the equity attributable to owners of the parent company in the Consolidated Financial Statements. Therefore, investments in subsidiaries are expressed using "investments accounted for using equity method" in the Parent Company Only Financial Statements, and necessary valuation adjustments will be made.

Besides the financial instruments measured at fair value, the Parent Company Only Financial Statements are prepared on the basis of historical costs. Unless otherwise specified, the Parent Company Only Financial Statements is denoted in thousands of New Taiwan Dollar (NT\$1,000).

c. Foreign currency transaction

The functional currency of the Company's Parent Company Only Financial Statements is New Taiwan Dollar (NT\$).

Transactions in foreign the currencies are recorded by their respective functional currency rates at the date of the transaction. At the end of every reporting period, items denoted in foreign currencies will be translated at the closing exchange rate of the day. Non-monetary foreign currency items measured at fair value will be translated using the exchange rate on the date when the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate of the date of the transaction.

Except for the following items, exchange differences resulting from delivery or exchange of monetary items will be recognized as gain or loss as they occur:

- 1) For foreign currency loans that arise from acquisition of assets that meet the requirements, if the resulting exchange differences are treated as adjustments of the

interest capital, which is a component of the cost of loans, they will be capitalized as the cost of the asset.

- 2) Foreign currency items within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
- 3) Monetary items that construe part of the net investments for overseas operations in the Parent Company Only Financial Statements. When translation differences that arise are recognized as other comprehensive income (loss), it will be reclassified to gain or loss from equity when the net asset is disposed.

When gains or losses from non-monetary items are recognized as other comprehensive income (loss), any translation component from such gain or profit will be recognized as other comprehensive income. When gains or losses from non-monetary items are recognized as loss, any translation component from such gain or profit will be recognized as loss.

d. Standard of classifying assets and liabilities as either current or non-current

When any of the following conditions occur, the item will be classified as a current asset, and when it is not a current asset, it will be classified as a non-current asset:

- 1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- 2) Asset is held for trading purposes.
- 3) The asset is due to be realized within 12 months after the reporting period.
- 4) It is cash or cash equivalent, except where the asset is exchanged or used to settle liabilities at least 12 months after the reporting period.

When any of the following conditions occur, the item will be classified as a current liability, and when it is not a current liability, it will be classified as a non-current liability:

- 1) The liability is expected to be settled during normal business cycle.
- 2) Liability is held for trading purposes.
- 3) The liability is due to be settled within 12 months after the reporting period.
- 4) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Settlement of liabilities may be made by the issue of equity instruments based on transaction party's choice, and will not impact classification.

e. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposit, short-term and highly liquid investments that can be immediately converted to fixed amount of cash with very small risks of valuation changes (including contract-based fixed deposits of less than 3 months).

f. Financial instruments

Financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are recognized initially at fair value and the transaction costs directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss) are derived by addition or subtraction from the fair value of assets and financial liabilities.

1) Recognition and valuation of financial assets

The accounting treatment for recognition and derecognition of all customary trading of financial assets of the Company is made on the settlement date.

The Company classifies financial assets as either financial assets subsequently measured at amortized costs, measured at fair value through other comprehensive income (loss), or measured at fair value through profit or loss:

- a) Business model used in managing the financial assets
- b) Characteristics of the contractual cash flows from the financial asset

Financial assets measured at amortized cost

Financial assets that meet the following two conditions will be measured at cost after amortization, and will be listed in the balance sheet under one of the following items: notes payable, accounts receivable, financial assets measured at amortized cost and other receivables:

- a) Business model used in managing the financial assets: financial asset is held to receive contractual cash flows
- b) Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

Such financial assets (excluding hedging relationships) will be measured at subsequent amortized cost {amount measured at the time of initial recognition, less the principal repaid, and add or subtract the accumulated amortized difference (using effective interest method) between the original amount and the amount due, and by adjusting allowances for loss}. When derecognizing, through amortization procedure, or recognizing impairment gain or loss, the gain or loss will be recognized as profit or loss.

Interest calculated through effective interest method (multiplying effective interest with the total book value of the financial asset) or the following conditions will be recognized in profit or loss:

- a) If it is a purchased or originated credit-impaired financial asset, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets
- b) If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

Financial assets at fair value through other comprehensive income (loss)

Financial assets that meet both of the following criteria will be measured at fair value through other comprehensive income (loss), and stated on the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss):

- a) Business model used in managing the financial assets: financial asset is held to receive contractual cash flows and for sale of financial asset
- b) Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

Recognition of gain or loss related to such financial assets will be explained as follows:

- a) Prior to derecognition or reclassification, except for impairment interest or loss, exchange gain or loss will be recognized in the profit or loss, and its gain or loss will be recognized in other comprehensive income (loss)
- b) During derecognition, accumulated gain or loss recognized in other comprehensive income (loss) will be reclassified from equity to profit or loss as adjustments for reclassification
- c) Interest calculated through effective interest method (multiplying effective interest with the total book value of the financial asset) or the following conditions will be recognized in profit or loss:
 - i. If it is a purchased or originated credit-impaired financial asset, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets
 - ii. If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business consolidation in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in profit or loss, unless such dividends clearly represent a portion of the investment cost.

Financial assets measured at fair value through profit or loss

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income, financial assets are all measured at fair value through profit or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

2) Impairments of Financial Assets

For the debt instrument investment measured at fair value through other comprehensive income (loss) and the financial assets measured at amortized cost, the Company recognizes expected credit losses and measures allowances for loss. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced.

The Company measures expected credit loss by reflecting the following methods:

- a) Unbiased and probability-weighted amount determined by evaluating each possible outcome
- b) The time value of money
- c) Reasonable and corroborative information related to past events, current conditions, and future economic forecasts (can be obtained at no excessive cost or input on the Balance Sheet date)

Method for valuating allowance for loss is as follows:

- a) Measure the expected credit loss over the next 12 months: including financial asset without significant increase in credit risk after initial recognition, or those ruled to have low credit risk on the Balance Sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significantly increased since the original recognition on the Balance Sheet date.
- b) Measurement of the amount of lifetime expected credit losses: including financial asset with significant increase in credit risk after initial recognition or purchased or originated credit-impaired financial asset with credit impairment.
- c) For accounts receivable or contractual asset arising from transactions within the scope of IFRS 15, the Company adopts lifetime expected credit loss to measure allowance for loss.

On each Balance Sheet date, the Company uses comparisons between the changes of default risk on the Balance Sheet date and on the date of initial recognition to measure whether there has been a significant increase in the financial instrument's credit risk after initial recognition. Additionally, please refer to Note 12 for information related to credit risk.

3) Derecognition of financial asset

The Company's financial assets will be derecognized when one of the following conditions occurs:

- a) The contractual right from the cash flow of the financial asset is terminated.
- b) When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- c) Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

4) Financial liabilities and equity instruments

Classification of liability or equity

The Company classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Company are recognized by the acquisition cost minus direct distribution costs.

Hybrid instruments

The Company recognizes the financial liabilities and equity components of the convertible corporate bonds issued in accordance with contractual terms. In addition, the conversion of corporate bonds issued is based on the assessment of whether the economic characteristics and risks of the embedded purchase and sale rights are closely related to the primary debt commodity before classifying the equity elements.

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Company do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments.

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.

When holder of the convertible corporate bonds should requests to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

Financial liabilities

Financial liabilities within the scope of IFRS 9: upon initial recognition, recognition and measurement are either classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss includes available-for-sale financial liabilities and designated financial liabilities at fair value through profit and loss.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

- a) The primary purpose for acquisition of the asset is short-term sales;
- b) It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or
- c) It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

- a) It eliminates or significantly reduces a measurement or recognition inconsistency; or
- b) A group of financial assets, financial liabilities or both, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally by the consolidated company on that basis to the key management personnel.

Any gain or loss from revaluation of these financial liabilities will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial liabilities.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include accounts payables and loans, and will continue to be measured through effective interest method after initial recognition. When financial liabilities are derecognized and amortized using effective interest method, related gain or loss and amortization will be recognized in profit or loss.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

Derecognition of financial liabilities

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Company and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

g. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

- 1) Principal market of the asset or liability, or
- 2) If no principal market exists, the most favorable market for the asset or liability

The Company needs to be able to enter the principal or most favorable market in order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant's use of the asset for its highest price and best use or by selling the asset to

another market participant who will use the asset for its highest price and best use to generate economic benefits.

The Company uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

h. Inventory

Inventories are evaluated on a case-by-case basis by the cost and net realizable value.

Cost refers to the cost of bringing inventory to a state of sale or availability for production and location:

Commodities - The weighted average method is used for the actual purchase cost.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

i. Investments accounted for using the equity method

Investments to subsidiaries are made pursuant to Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." These investments are expressed by "investments accounted for using equity method" and necessary rating adjustment is conducted so that current profit and loss and other comprehensive income in the Parent Company Only Financial Statements and the current profit and loss and other comprehensive income (loss) attributable to owners of the parent company in the Consolidated Financial Statements are equivalent, and the owner's equity in the Parent Company Only Financial Statements is equivalent to the equity attributable to owners of parent company in the Consolidated Financial Statements. Such adjustments are made in consideration of the differences between the investment in subsidiaries in the Consolidated Financial Statements in accordance with IFRS 10 - Consolidated Financial Statements, and the applicable IFRS reporting at different levels, and either debits or credits the "investment accounted for using equity method," "profit or loss from subsidiaries, affiliates, and joint venture accounted for using equity method," or "other comprehensive income (loss) from subsidiaries, affiliates, and joint venture accounted for using equity method."

The Company's investment in affiliates adopts equity method except for those classified as available-for-sale. Affiliates refer to the companies in which the Company has material influence over.

Under the equity method, the investment affiliates are accounted for on the balance sheet as the amount recognized by the Company for the change in the net assets of the affiliate based on the shareholding ratio. After the carrying amount and other related long-term equity in investments in affiliates under the equity method are reduced to zero, extraneous losses and liabilities will be recognized in the context of legal obligations, constructive obligations, or payments made on behalf of the affiliates. Unrealized gain or loss occurring between the Company and affiliates will be eliminated in proportion to the shares held in the affiliates.

When the change in the equity of the affiliate is not due to profit or loss and other comprehensive profit or loss items, and does not affect the Company's shareholding ratio, the Company will recognize the change in the relevant ownership interest based on the shareholding ratio. Therefore, recognized capital surplus will be reverted to profit or loss in proportion to the disposal subsequent to disposal of the affiliates.

When an affiliate issues new shares, if the Company does not subscribe in proportion to its shareholding, the Company's shareholdings in the affiliate's net assets will increase or decrease accordingly. The change will be adjusted by "capital surplus" and "investments accounted for using equity method." When the shareholding ratio decreases, the recognized related items in other comprehensive income (loss) will be first reclassified to profit or loss or other appropriate item in proportion to the decrease in shareholding ratio. The aforementioned recognized capital surplus will be reverted to profit or loss during subsequent disposal of the affiliate.

The financial statements of the affiliates are prepared for the same reporting period as the Company, and adjusted to align their accounting policies with the Company's accounting policies.

The Company determines at each reporting date whether there is any objective evidence that the investment in the affiliate company is impaired in accordance with IAS 28 - Investment in Related Companies and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the affiliate company and its carrying value and recognizes the amount in the "share of profit or loss of an affiliate company" in the statement of comprehensive income in accordance with IAS 36 - Impairment of Assets. In case the aforementioned recoverable amount adopts the useful value of the investment, the Company will determine the relevant useful value based on the following estimates:

- 1) The share of the present value of the estimated cash flows generated by the affiliates of the Company, including the cash flows generated by the affiliates due to the operation and the final disposal of the investment; or
- 2) The Company expects to receive dividends from the investment and ultimately dispose of the present value of the estimated future cash flows generated by the investment.

Since goodwill component item that construes the carrying amount of the investment in affiliates is not separately recognized; hence, the Company is not required to undertake the test for goodwill impairment as stipulated in IFRS 36 - Impairment of Assets.

When material influence over affiliates is lost, the Company will conduct fair value measurement and recognize the remaining investments. When material influence is lost, the difference between the carrying amount of the investment in affiliates and the fair value of the retained investment plus the disposal price, will be recognized as profit or loss.

j. Property, plant, and equipment

Property, plant and equipment is recognized at the acquisition cost less accumulated depreciation and accumulated impairment. The aforementioned cost includes the

dismantling of property, plant, and equipment, removing, and restoring the site on which it is located, and any necessary interest expense arising from unfinished construction. If the various component of property, plant, and equipment is material, it shall be separately recognized for depreciation. When the material components of property, plant and equipment requires to be regularly replaced, the Company will see the item as a separate asset and to separately recognize it through its useful life and depreciation method. The carrying amount of the replaced component will be derecognized in accordance with the derecognition rule in IAS 16 - Property, Plant, and Equipment. When material inspection cost complies with criteria for recognition, it will be treated as a replacement cost and recognized as a part of the carrying amount of the property, plant, and equipment. All other fixture and maintenance expense will be recognized in profit or loss.

Depreciation is recognized through the straight-line method with the following asset useful life estimation:

Transportation vehicle: 5 years
Office equipment: 3-15 years
Leasehold improvements: 3-10 years
Other equipment: 3-10 years

After initial recognition of property, plant, and equipment, or any of its material components, if disposal occurs or if inflow of economic benefit is not expected to occur from its use or disposal thereof in the future, it shall be derecognized and recognized in profit or loss.

Residual value, useful life and depreciation methods of property, plant, and equipment will be evaluated at the end of each fiscal year. If expected value differs from previous estimates, the changes will be treated as changes in accounting estimates.

k. Lease

The Company evaluates whether a contract is (or includes) a lease on the contract establishment date. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Company will evaluate whether the following two factors will occur during the entire duration of use:

- 1) Rights to nearly all economic benefits of the identified asset have been received; and
- 2) The control over the right to use the identified asset.

For contracts that are (or include) leases, the Company will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Company will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Company will maximize the use of observable information to estimate their respective single unit prices.

The Company is the lessee

Except for leases that meet and are selected to be treated as short-term leases or low-value assets, when the Company is the lessee of a lease contract, the Company will recognize all right-of-use asset and lease liabilities related to all leases.

At the start date, the Company measures the lease liability at the present value of the unpaid lease payments on that date. If the interest rate implicit in a lease is easy to determine, the lease payment is discounted using that interest rate. If such interest rate is difficult to determine, the lessee's incremental loan rate of interest will be used. On the start date, the lease payment of the lease liability will be accounted for, including the following payments that have to do with the target right-of-use asset during the lease period that have not been paid on that date:

- 1) Fixed payments (including substantial fixed payments), minus any lease incentives that can be obtained;
- 2) Variable lease payments dependent upon certain indicators or rates (measured by the indicators or rates used on the start date);
- 3) Expected residual value guarantee from the lessee;
- 4) Exercise price for purchase of options, if the Company can be reasonably assured that the right will be exercised; and
- 5) Penalties for termination of the lease, in case the lease period reflects that the lessee will exercise the option to terminate the lease.

After the start date, the Company will measure the lease liability using amortized cost-based measurement, and the carrying amount of the lease liability will be added by the effective interest method to reflect interest of the lease liability. Lease payment will be subtracted from the carrying amount of the lease liability.

On the start date, the Company will measure the right-of-use asset at cost, and the cost of the right-of-use asset will include:

- 1) The original valuation of the lease liability;
- 2) Any lease payment paid on the start date or before, minus any lease incentives taken;
- 3) Any original direct cost that the lessee incurs; and
- 4) Estimated cost of the lessee's dismantling, removing the target asset and restoration at the asset's location, or the cost to restore the target asset to the state required in the terms and conditions of the lease.

Valuation of the right-of-use asset will be cost minus accumulated depreciation and accumulated impairment loss, or the right-of-use asset can be measured at cost model.

If the ownership of the target asset will be transferred to the Company when the lease period expires, or if the cost of the right-of-use asset reflects that the Company will exercise purchase option, then the depreciation of the right-of-use asset will be measured from the start date of the lease until the end of the asset's useful life. Otherwise, the Company will depreciate the right-of-use asset from the start date until the end of its useful life, or the end of the lease term, whichever is the earlier of the two.

The Company uses IAS 36 Asset Impairment to determine whether an asset has been impaired and treats any identified impairment loss.

Except for lease of assets that meet and were selected to be short-term lease or low-value asset, the Company will recognize right-of-use assets and lease liabilities on the balance sheet, and separately recognize any depreciation expense and interest expense related to the lease on the statement of comprehensive income.

For short-term leases and low-value asset leases, the Company chooses to use straight-line basis or another systematic basis, and recognizes related lease payments as expenses during the lease terms.

The Company is the lessor

On the date of establishing the contract, the Company will classify each lease as either operating lease or financing lease. If nearly all risks and rewards associated with the ownership of the asset will be transferred during the lease, it will be categorized as a financing lease; if risks and rewards will not be transferred, it will be an operating lease. The Company will recognize assets held under financing leases on the balance sheet on the start date, and express them as lease payment receivable based on the net lease investment.

For contracts that include lease components and non-lease components, the Company will distribute the considerations in the contract using regulations from IFRS 15.

The Company uses direct-line basis or another systematic basis to recognize lease payments from operating leases as lease revenue. For variable lease payments not based on certain indicators or rates in operating leases, the Company will recognize them as lease revenue when they occur.

1. Intangible assets

Separately acquired intangible assets will be measured by cost during initial recognition. After initial recognition of intangible asset, its carrying amount will be the cost reduced by any accumulated amortization. Internally-arising intangible assets that do not meet the recognition criteria will not be capitalized, and will be recognized in profit or loss as they occur.

The useful life of an intangible asset has been classified as either finite or indefinite.

Intangible assets with finite useful life will be amortized during the duration of the useful life, and impairment tests will be conducted when there are indicators of impairment. The duration of amortization and method of amortization of intangible assets with finite useful life should be reviewed at least once at the end of each fiscal year. If the expected useful life of an asset is found to be different from the estimation or if the expected model of consumption of future economic benefits has changed, then the amortization method or duration of amortization shall be adjusted and treated as changes in estimate.

Intangible assets with indefinite useful life will not be amortized; however, impairment test shall be conducted based on individual asset or cash-generating unit level in each year. Intangible asset with indefinite useful life will be expected in each term for whether matters and conditions continue to support its indefinite useful life. If the useful life is changed from indefinite to finite, applicability will be deferred.

Gains or loss arising from derecognition of intangible assets will be recognized in profit or loss.

Below is a compilation of the Company's accounting policy for intangible assets:

	Computer software	Trademarks
Useful life	1-5 years	Indefinite
Amortization method used	Straight-line amortization during the expected useful life	Do not amortize
Internally-arising or acquired externally	Acquired externally	Acquired externally

m. Non-monetary impairment

At the end of every reporting period, the Company will evaluate all assets for indicators of impairment pursuant to IAS 36 - Impairment of Assets. If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Company will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. Recoverable amount is the higher of the net fair value or useful value.

At the end of every reporting period, the Company will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Company will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

n. Revenue Recognition

The Company's revenue from customer contracts are mostly from sales of goods and provision of service, and their accounting treatments are explained as follows:

Sales of goods

The Company sells products and recognizes revenue when the promised product is delivered to the customer and the customer obtains control (the customer has the ability to lead the use of the product and obtain almost all of the remaining benefits of the product) and satisfies performance obligation. The Company's primary products are various types of medicine, health supplements, and maternity and infant products. During some of the sales transactions, when the ownership of the goods is transferred to the customer, the Company will provide points as part of the customer loyalty program based on the transaction price. The points will provide the customers with preferential discount during the customer's subsequent purchases within the next year. The Company distributes the transaction price and points given based on the relative selling price of the goods sold and

the points, and the transaction price allocated to the sales goods is recognized when the ownership of the goods is transferred to the customer, while the rest will be recognized as contractual liability based on the acquisition price.

Retail customers of the Company have the right to enjoy discount during future purchase with the points they collect. When points are collected from customer use or when the points expire one year after the initial sales, revenue from the points given will be recognized, and relevant contractual liability will be adjusted accordingly.

The credit period for the product sales transactions of the Company is 60~120 days. Accounts receivable will be recognized when most of the contracts are subject to product transfer control and have the right to receive unconditional consideration. These receivables are usually short-term and do not pose as significant financing components.

Provision of service

Service revenue of the Company mostly come from provision of management service. Revenue will be recognized when the committed service is transferred to the customer and satisfies performance obligation.

o. Retirement pension plan

The Company's employee retirement method is applicable for all formal employees. The full amount of employee pension fund is managed by the Labor Retirement Reserve Supervisory Committee, and deposited in designated pension fund. Since the aforementioned pension is deposited under the name of the Labor Retirement Reserve Supervisory Committee, and completely separate from the Company, it is not included in the above Parent Company Only Financial Statements.

For retirement pension plans with defined allocations, the Company is obliged to allocate a certain ratio of employee pension allocation of no less than 6% of the employee's monthly pay. The amount of allocation will be recognized as current expense.

For retirement pension plans with defined benefit plan, the Company will include the amounts after the reporting period on actuarial report through projected unit credit method. Revaluation of net defined benefit liabilities (asset) includes any changes in return on plan assets and asset ceiling and will be reduced by amount of net interest included in the net defined benefit liability (asset) and actuarial profit or loss. When revaluation of net defined benefit liability (asset) occurs, it will be recognized under other comprehensive income (loss) and immediately recognized in retained earnings.

Past service cost is the change from the present value of the defined benefit plan due to plan revision or reduction, and will be recognized as expense on the earlier of the two dates:

- 1) When the plan is revised or reduced; and
- 2) When the Company recognizes relevant restructuring cost or termination benefits.

Net interest of net defined benefit liability (asset) is net defined benefit liability (asset) multiplied by the discount rate, and both will be decided at the beginning of a reporting

period. Subsequently, any changes that occur to the net defined benefit liability (asset) from allocations and benefit expense during the period will be considered.

p. Share-based payment transaction

The cost of the equity-settled share-based payment transaction between the Company and the employees is measured by the fair value on the date of the share-based payment transaction. The fair value is measured by an appropriate pricing model.

The cost of the equity-settled share-based payment transaction is gradually recognized when service terms and performance conditions are met, and when the equity recognized by the counterparty increases. The accumulated expense from equity-settled share-based payment transactions before the end of every reporting period before the vesting date, is a reflection on the passing of the vesting period at the best estimate from the Company for the number of equity instruments that the Company will ultimately own. At the beginning and end of each reporting period, the cumulative cost changes recognized for the share-based payment transactions will be recognized in profit or loss for the period.

If ultimately, the bonus for share-based payment does not meet the vesting criteria, no expense shall be recognized. However, if the vesting conditions of the equity delivery transaction are related to market conditions or non-vested conditions, when all service or performance conditions are met, related expenses shall be recognized whether the market conditions or non-vested conditions have been met or otherwise.

When equity delivery transaction conditions are modified, at least the initial benefit cost prior to the alternation shall be recognized. In case the share-based payment terms are modified, if the total fair value of the share-based payment transaction is increased or more beneficial to the employees, the additional equity delivery transaction cost will be recognized.

If the share-based payment bonus plan for the equity delivery is canceled, it will be treated as vested on the date of cancellation and the remaining unrecognized share-based payment will be immediately recognized. This includes rewards outside of vesting conditions that have not been achieved by either the Company or the employees. If the original cancelled reward is replaced by a new reward scheme, and has been confirmed that the new plan will replace the existing on the grant date, the cancelled and the new granted reward will be treated as modifications to the existing plan.

Dilution effect of outstanding options will be calculated by additional shares during calculation of the dilution on the EPS.

q. Income tax

Income tax expense (benefit) refers to the aggregated amount related to current income tax and deferred income tax that is included in the current profit or loss.

Income tax in the current period

Income tax liabilities (assets) for this period and for prior periods, are measured at the tax rates and tax laws enacted in the legislative or substantive legislation at the end of the reporting period. Current income tax related to items recognized in other comprehensive

income or directly recognized in equity, will be separately recognized in other comprehensive income (loss) or equity rather than profit or loss.

Surtax on unappropriated retained earnings will be recognized as income tax expense on the date of surplus distribution from the Shareholders' Meeting.

Deferred income tax

Deferred tax is calculated based on the temporary difference between the taxable basis of assets and liabilities and the carrying amounts on the Balance Sheet at the end of the reporting period.

All taxable temporary difference shall be recognized as deferred tax liabilities except for the following:

- 1) Initial recognition of goodwill; or the initial recognition of an asset or liability not arising from a business combination transaction and does not affect accounting profits or taxable income (loss) at the time of the transaction;
- 2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

Deferred income tax assets that are deductible from temporary differences, unused tax losses and unused income tax deductions are recognized in the context of probable future taxable income except for the following:

- 1) Deductible temporary difference arising from business combination with a non-affiliates, and is related to initial recognition of assets or liabilities that do not affect accounting profit or loss of taxable income (loss) at the time of transaction;
- 2) Related to deductible temporary difference from equity in investments in subsidiaries, affiliates, or joint ventures, and is highly possible to revert in the foreseeable future, and the revert may be to the extent that there will be sufficient taxable income at the time for recognition of the temporary difference.

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the tax rates and tax laws that have been enacted in the legislative or substantive legislation at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the carrying amount of the liability is settled at the end of the reporting period. The deferred income tax that is related to items not recognized in profit or loss will also not be recognized in profit or loss. It will be recognized in other comprehensive income (loss) or directly recognized in equity based on its related transaction. Deferred tax assets shall be reviewed and recognized at the end of each reporting period.

For deferred tax assets and liabilities, only the offset between the current tax assets and current tax liabilities carries legally enforceable rights. Moreover, deferred income tax may be offset when it is subject to the same taxpayer and is related to the income tax

levied by the same tax authority.

5. Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When preparing the Parent Company Only Financial Statements, the Company's management shall exercise judgment, estimation and assumption at the end of the reporting period. This will influence the reported amounts of revenue, expense, assets and liabilities, and disclosure on liabilities. Nevertheless, the uncertainty of these material assumptions and estimates may result in material adjustments to the carrying amount of an asset or liability in the future.

Estimates and assumptions

At the end of a reporting period, major source of information for uncertainties in regards to estimates and assumptions for the future, present material risk in material adjustments to the carrying amounts of assets and liabilities in the next fiscal year. This will be explained in the following:

1) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from an active market, the fair value will be determined by valuation techniques. These include income approach (for example, the discounted cash flow method) or market approach, and changes in the assumptions used in these models will influence the fair value of the reported financial instruments. Please refer to Note 12 for details.

2) Accounts receivable - estimates on impairment loss

The Company's estimate of impairment loss for receivables is measured by the amount of estimated credit losses over its lifetime, which will be based on the difference between the contractual cash flow (carrying amount) receivable and the expected cash flow (assessment of forward-looking information). However, discount effect of short-term receivables is insignificant and credit loss will not be measured by undiscounted difference. If the actual cash flow in the future is less than the estimate, there may be material impairment loss. Please refer to Note 6 for details.

3) Inventory

The estimated value of the net realized value of inventories is the most reliable evidence of the expected change in the amount of cash available for the inventory at the estimated time when the inventory is damaged, all or part of it becomes obsolete or declines in the selling price and influences from product shelf life. Please see refer to Note 6 for detail.

4) Retirement pension plan

The present value of defined benefit costs and defined benefits obligations in retirement pension plan is measured by actuarial valuation. Actuarial valuation involves various assumptions, including discount rate and changes in expected salaries and more. Please refer to Note 6 for details on the assumptions used to measure the cost of defined benefit costs and defined benefit obligations.

5) Share-based payment transaction

Cost of equity settlement transaction between the Company and our employees are measured by the fair value of the equity instrument on the grant date. When estimating the fair value of the share-based payment transaction, the best pricing model should be determined based on the benefit conditions. These estimates also require determining the best parameters used in the pricing model, including: expected duration of the stock options, estimated fluctuations, estimated rate of dividend, and any assumptions made therein. Please refer to Note 6 for explanations on the assumptions and models used to measure the fair value of the share-based payment transaction.

6) Income tax

Uncertainties for income tax exist in the interpretation of complex tax laws, and the future taxable amounts and time points. Due to the prevalence of international business relationships and the long-term nature and complexity of contracts, there may be differences between the actual results and assumptions made, or alternatively, such assumptions in the future may force recorded interest tax benefits and expenses to be adjusted in the future. Recognition of income tax is based on reasonable estimates of the possible audit results of the tax authorities of the countries in which the Company operates. Amounts recognized are based on different elements, for instance, the past experience of tax review and the taxation subject may have different interpretations of the tax law from the taxation authority. Differences in these interpretations could lead to various issues due to the conditions of the countries of the Company's operations.

Unused tax loss and deferred tax carried forward and deductible temporary differences are recognized as deferred tax assets based on the context that it is highly likely future taxable income or taxable temporary differences will occur in the future. The determination of the amount of deferred tax asset to be recognized is at the point and standards where there may be differences between the future taxable income and taxable temporary difference as well as the estimate of future tax planning strategies.

6. Explanations of significant accounting items

a. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand and petty cash	\$10,534	\$8,933
Checks and demand deposit	1,321,802	1,123,925
Fixed deposit	975,870	114,550
Total	<u>\$2,308,206</u>	<u>\$1,247,408</u>

b. Financial assets measured at fair value through profit or loss

	2022.12.31	2021.12.31
Measured at fair value through profit and loss:		
Convertible corporate bonds	<u>\$1,620</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	1,620	-
Total	<u>\$1,620</u>	<u>\$-</u>

The Company's financial assets measured at fair value have not had conditions of guarantee/endorsement.

c. Financial assets at fair value through other comprehensive income (loss)

	<u>2022.12.31</u>	<u>2021.12.31</u>
Investments in equity instruments measured at fair value through other comprehensive income:		
Unlisted and non-OTC company stock	\$50,000	\$-
Valuation adjustment	(1,167)	-
Total	<u>\$48,833</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	48,833	-
Total	<u>\$48,833</u>	<u>\$-</u>

The Company's financial assets measured at fair value through other comprehensive income have not had conditions of guarantee/endorsement.

d. Financial assets measured at amortized cost

	<u>2022.12.31</u>	<u>2021.12.31</u>
Restrictive fixed deposit	\$24,000	\$24,000
Fixed deposit	3,000	3,000
Less: allowance for loss	-	-
Total	<u>\$27,000</u>	<u>\$27,000</u>
Current	<u>\$24,000</u>	<u>\$24,000</u>
Non-current	<u>\$3,000</u>	<u>\$3,000</u>

The Company only has transactions with financial institutions in good credit standing and therefore has no material credit risk.

The Company's financial assets measured at amortized cost have not had conditions of guarantee/endorsement.

e. Notes receivable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable - from operating activities	\$1,902	\$2,144
Less: allowance for loss	-	-
Total	<u>\$1,902</u>	<u>\$2,144</u>

The Company's notes receivable have not had conditions of endorsement/guarantee.

The Company assesses information related to impairment and allowance for impairment using regulations from IFRS 9. Please refer to Note 6(19) for details. Please refer to Note 12 for information on credit risk.

f. Net accounts receivable and accounts receivable - related parties

1) Below is a list of the accounts receivable, net:

	2022.12.31	2021.12.31
Total accounts receivable	\$348,695	\$422,245
Less: allowance for loss	(418)	(418)
Subtotal	<u>348,277</u>	<u>421,827</u>
Total accounts receivable - related parties	490,948	381,865
Less: allowance for loss	-	-
Subtotal	<u>490,948</u>	<u>381,865</u>
Total	<u><u>\$839,225</u></u>	<u><u>\$803,692</u></u>

2) The aforementioned accounts receivable has not had conditions of endorsement/guarantee.

3) The Company's credit line to customers is usually 60-120 days. The total carrying amounts were NT\$839,643 thousand and NT\$804,110 thousand on December 31, 2022 and December 31, 2021 respectively. Please refer to Note 6 (19) for information related to allowance for impairment loss in 2022 and 2021. Please refer to Note 12 for information on credit risk.

g. Inventory

1) Net inventory is as follows:

	2022.12.31	2021.12.31
Goods on hand	<u><u>\$2,256,323</u></u>	<u><u>\$1,532,599</u></u>

2) The Company recognized cost of inventories of NT\$10,701,896 thousand and NT\$8,480,073 thousand on December 31, 2022 and December 31, 2021 as expenses respectively. These expenses included the following:

Item	2022	2021
Allowance for inventory valuation and obsolescence loss	\$9,509	\$4,849
Inventory scrap loss	22,024	9,548
Inventory loss	<u>10,065</u>	<u>7,387</u>
Total	<u><u>\$41,598</u></u>	<u><u>\$21,784</u></u>

3) Aforementioned inventory has not had conditions of endorsement/guarantee.

h. Investments accounted for using the equity method

The Company's investments accounted for using equity method are as follows:

Investee	2022.12.31		2021.12.31	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Investment in subsidiary:				
Ivy Biotechnology Co., Ltd.	\$143,161	100%	\$115,035	100%
Bai-Lin Logistics Co., Ltd.	8,381	100%	6,661	100%
Great Tree Pets Co., Ltd.	62,166	100%	24,107	100%
GREAT TREE INTERNATIONAL SDN.BHD.	9,815	75%	-	-
Total	<u>\$223,523</u>		<u>\$145,803</u>	

- 1) Investments in subsidiaries are expressed in "investments accounted for using equity method" in the Parent Company Only Financial Statements.
- 2) Upon resolution from the Board of Directors on November 11, 2021, the Company has invested in and set up a 100% owned subsidiary, Great Tree Pharmacy Hong Kong. The aforesaid subsidiary has completed company registration on April 8, 2022. As of December 31, 2022, the Company had not yet remitted the investment amount.

On May 12, 2022, the Board of Directors of the Company resolved to invest NT\$10,256 thousand in GREAT TREE INTERNATIONAL SDN. BHD. for the purpose of developing overseas business. °

- 3) Aforementioned investments accounted for using equity method has not had conditions with endorsement/guarantee.

i. Property, plant, and equipment

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:					
2022.01.01	\$13,516	\$400,327	\$529,101	\$315,081	\$1,258,025
Acquisition	-	125,679	113,650	17,198	256,527
Disposal	-	(1,996)	(3,543)	(3,931)	(9,470)
Transfer	-	-	-	-	-
2022.12.31	<u>\$13,516</u>	<u>\$524,010</u>	<u>\$639,208</u>	<u>\$328,348</u>	<u>\$1,505,082</u>
2021.01.01	\$13,516	\$338,519	\$445,615	\$223,882	\$1,021,532
Acquisition	-	62,648	83,610	93,530	239,788
Disposal	-	(840)	(124)	(2,331)	(3,295)
Transfer	-	-	-	-	-
2021.12.31	<u>\$13,516</u>	<u>\$400,327</u>	<u>\$529,101</u>	<u>\$315,081</u>	<u>\$1,258,025</u>
Depreciation and impairment:					
2022.01.01	\$12,760	\$230,675	\$217,624	\$106,537	\$567,596
Depreciation	479	61,849	78,963	57,181	198,472
Disposal	-	(751)	(1,054)	(1,424)	(3,229)
Transfer	-	-	-	-	-
2022.12.31	<u>\$13,239</u>	<u>\$291,773</u>	<u>\$295,533</u>	<u>\$162,294</u>	<u>\$762,839</u>
2021.01.01	\$12,109	\$180,728	\$153,720	\$55,392	\$401,949
Depreciation	651	49,975	63,908	51,223	165,757
Disposal	-	(28)	(4)	(78)	(110)
Transfer	-	-	-	-	-
2021.12.31	<u>\$12,760</u>	<u>\$230,675</u>	<u>\$217,624</u>	<u>\$106,537</u>	<u>\$567,596</u>
Net carrying amount:					
2022.12.31	<u>\$277</u>	<u>\$232,237</u>	<u>\$343,675</u>	<u>\$166,054</u>	<u>\$742,243</u>
2021.12.31	<u>\$756</u>	<u>\$169,652</u>	<u>\$311,477</u>	<u>\$208,544</u>	<u>\$690,429</u>

The aforementioned property, plant, and equipment have no conditions of endorsement/guarantee.

j. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2022.01.01	\$11,741	\$14,286	\$26,027
Acquisition - separately acquired	11,725	-	11,725
Derecognized at the end of useful life	-	-	-
2022.12.31	<u>\$23,466</u>	<u>\$14,286</u>	<u>\$37,752</u>
2021.01.01	\$8,110	\$14,286	\$22,396
Acquisition - separately acquired	3,631	-	3,631
Derecognized at the end of useful life	-	-	-
2021.12.31	<u>\$11,741</u>	<u>\$14,286</u>	<u>\$26,027</u>
Amortization and impairment:			
2022.01.01	\$7,280	\$-	\$7,280
Amortization	4,323	-	4,323
Derecognized at the end of useful life	-	-	-
2022.12.31	<u>\$11,603</u>	<u>\$-</u>	<u>\$11,603</u>
2021.01.01	\$4,378	\$-	\$4,378
Amortization	2,902	-	2,902
Derecognized at the end of useful life	-	-	-
2021.12.31	<u>\$7,280</u>	<u>\$-</u>	<u>\$7,280</u>
Net carrying amount:			
2022.12.31	<u>\$11,863</u>	<u>\$14,286</u>	<u>\$26,149</u>
2021.12.31	<u>\$4,461</u>	<u>\$14,286</u>	<u>\$18,747</u>

ion of intangible assets is as follows:

	2022	2021
Operating expenses	<u>\$4,323</u>	<u>\$2,902</u>

k. Other non-current assets

	2022.12.31	2021.12.31
Prepaid equipment	\$11,708	\$3,060
Refundable deposits	197,080	91,474
Total	<u>\$208,788</u>	<u>\$94,534</u>

For long-term business development needs to increase operational performance, the Group has made a joint bid on “Taoyuan Aerotropolis Project Priority Industrial Zone Land Auction - Base B” with Company A on June 22, 2022 through the resolution of the Board of Directors. The deposit of NT\$83,998 thousand was paid and recognized under refundable deposits. It won the bid for a total price of NT\$1,679,968 thousand on July 28, 2022.

l. Short-term loans

1) Details on short-term loans are as follows:

	Range of interest rates (%)	2022.12.31	2021.12.31
Unsecured bank loan	0.86%~1.18%	<u>\$-</u>	<u>\$370,000</u>

2) As of December 31, 2022 and December 31, 2021 respectively, the Company's unused short-term loan credits are NT\$0 and NT\$92,960 thousand respectively.

m. Other payables

	2022.12.31	2021.12.31
Expenses payable	\$353,419	\$262,015
Equipment payable	25,067	13,644
Net defined benefit liabilities - current	37	37
Total	<u>\$378,523</u>	<u>\$275,696</u>

n. Bonds payable

1) Details of bonds payable are as follows:

	2022.12.31	2021.12.31
Elements of liability:		
Par value of domestic convertible corporate bonds payable	\$1,220,000	\$-
Less: discount on domestic convertible corporate bonds payable	(52,608)	-
Subtotal	1,167,392	-
Less: portion due within one year	-	-
Net balance	<u>\$1,167,392</u>	<u>\$-</u>
Embedded derivative financial instruments - Redemption rights	<u>\$1,620</u>	<u>\$-</u>
Equity Element - Conversion Right	<u>\$97,348</u>	<u>\$-</u>

Please refer to Note 6.22 (4) for valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds.

2) On September 12, 2022, the Company issued the second domestic unsecured convertible corporate bonds with the major terms as follows:

- (A) Total issuance: NT\$1,000,000 thousand
- (B) Date of issuance: 2022.09.12
- (C) Issuance price: Issued at 104.21% of par value
- (D) Coupon rate: 0%
- (E) Issuance period: 2022.09.12~2025.09.12
- (F) Repayment at maturity: The Company shall repay the convertible corporate bonds held by the holders of the convertible corporate bonds (hereinafter referred to as the "Bondholders") at par value in one lump sum in cash within 10 business days from the day after the maturity of the convertible corporate bonds, except for the conversion of the convertible corporate bonds by the Bondholders into common shares of the Company in accordance with Article 10 of this regulation, and the early redemption by the Company, or cancellation by purchase from the Taipei Exchange in accordance with Article 18 of this regulation.
- (G) Conversion period: Starting from the day after the 3-month period of issuance of this convertible bond to the date due (December 13, 2022), except for (I) stock transfer is halted pursuant to applicable laws; (II) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for a capital increase, until the base date for right distribution, (III) capital reduction base-date to one day before the capital reduction in issuance of shares, (iv) from the day of the cessation of the conversion of the change of the face value of the shares to the day before the start of trading of the new shares for shares, conversion may not be requested, and may be transmitted to Taiwan Depository & Clearing Corporation at any time through the brokerage (hereinafter referred to as the "TDCC") to the Company's stock agency to request in accordance with the provisions of these measures to convert the bonds held in the conversion of common shares of the Company, and in accordance with the provisions of the present Procedure.
- (H) Conversion price and adjustments: The conversion price is set at NT\$304.98 per share at the time of issuance. In the event that the conversion price of the Company's common stock or stock options is adjusted in accordance with the terms of the issuance, the conversion price will be adjusted in accordance with the formula set forth in the terms of the issuance.
- (I) The Company's redemption rights:
- (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and for investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash. The Company shall execute the call request and redeem the convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.
 - (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter

of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash. The Company shall execute the call request and redeem the outstanding convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.

- (3) If the creditor does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.
- (4) If the Company executes the call request, the deadline for the Bondholders to request the conversion is the second business day after the date of termination of trading of the convertible corporate bonds on the Taipei Exchange.

3) On September 29, 2022, the Company issued the first domestic private placement of convertible corporate bonds with the major terms as follows:

- | | |
|---------------------------------------|--|
| (A) Total issuance: | NT\$220,000 thousand |
| (B) Date of issuance: | 2022.09.29 |
| (C) Issuance price: | Issued at 100% of par value |
| (D) Coupon rate: | 0% |
| (E) Issuance period: | 2022.09.29~2025.09.29 |
| (F) Repayment at maturity: | The Company shall repay the bonds at par value in one lump sum in cash upon the maturity of the private placement of convertible corporate bonds, except for the conversion of the private placement of convertible corporate bonds by the holders of the private placement of convertible corporate bonds (hereinafter referred to as the "Bondholders") into common shares of the Company in accordance with Article 10 of this regulation, or the early redemption by the Company in accordance with Article 17 of this regulation, or the exercising of the put rights by the Bondholders in accordance with Article 18 of this regulation. |
| (G) Conversion period: | Starting from the day after the 3-month period of issuance of this convertible bond (December 30, 2022) to the date due (September 29, 2025), except for (I) stock transfer is halted pursuant to applicable laws; (II) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for a capital increase, until the base date for right distribution, (III) capital reduction base-date to one day before the capital reduction in issuance of shares, (iv) from the day of the cessation of the conversion of the change of the face value of the shares to the day before the start of trading of the new shares for shares, conversion may not be requested, at any time through the brokerage to the Company's stock agency to request in accordance with the provisions of these measures to convert the bonds held in the conversion of common shares of the Company, and in accordance with the provisions of the present Procedure. |
| (H) Conversion price and adjustments: | The conversion price is set at NT\$270.5 per share at the time of issuance. In the event that the conversion price of the Company's common stock or stock options is adjusted in accordance with the terms of the issuance, the conversion price will be adjusted in accordance with the formula set forth in the terms of the issuance. |
| (I) The Company's redemption rights: | (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 30, 2022) to forty days before the expiration of the issuance period (August 21, 2025). When the closing market price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered |

mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) The bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.

- (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 30, 2022) to forty days before the expiration of the issuance period (August 21, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.
- (3) If the Bondholders does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.

4) In addition, the bonds of the Company have not been converted as of December 31, 2022.

o. Retirement pension plan

Defined allocation plan

The Company's employee retirement method adopts the defined allocation plan pursuant to the Labor Pension Act. Pursuant to the Act, the Company is obligated to allocate no less than 6% of its employee's monthly salary as employee pension. The Company has established employee retirement method in accordance with the Act, and allocates 6% based on each employee's salary to his/her respective individual retirement account (IRA) at the Bureau of Labor Insurance.

The Company recognized defined allocation expense of NT\$45,580 thousand and NT\$38,982 thousand in 2022 and 2021 respectively.

Defined benefit plan

The Company's employee retirement method adopts the defined benefit plan pursuant to the Labor Standards Act. Payment of employee pension is calculated on the base points of an employee's years of service and average monthly wages when the person is permitted to retire. Two base points will be assigned for 15 years (inclusive) of service or less, and for those exceeding 15 years of service, every year will be assigned an additional base point. The maximum base points allowed is 45. The Company provides a pension fund of 2% of the total salary on a monthly basis in accordance with the Labor Standards Act, and deposits it in a designated account at the Bank of Taiwan in the name of the Labor Retirement Reserve Supervisory Committee.

The Bureau of Labor Funds, Ministry of Labor, Executive Yuan, undertakes asset allocations based on the income and expenditure of the employee retirement fund. Investment of the fund is invested in self-operated and entrusted management methods, and adopts active and passive management medium- to long-term investment strategies. The Bureau of Labor Funds takes risks including market, credit, and liquidity into

consideration in setting limits and control plan for the fund so that adequate flexibility can be used toward the compensation objective without excessive risk. As of December 31, 2021, the Company's defined benefit plan is expected to allocate NT\$63 thousand within the following year.

As of December 31, 2022 and December 31, 2021, the Company's defined benefit plans are expected to expire in 2039.

The following table summarizes the costs of defined benefit plan recognized to profit or loss:

	<u>2022</u>	<u>2021</u>
Current service cost	\$-	\$-
Net interest from net defined benefit assets (liabilities)	47	15
Total	<u>\$47</u>	<u>\$15</u>

Adjustments of the present value of the defined benefit obligations and fair value of the plan assets:

	<u>2022.12.31</u>	<u>2021.12.31</u>	<u>2021.01.01</u>
Present value of the defined benefit obligations	\$9,316	\$10,078	\$7,562
Fair value of plan assets	<u>(4,972)</u>	<u>(4,396)</u>	<u>(4,100)</u>
Other non-current liabilities - net defined benefit liabilities recorded	<u>\$4,344</u>	<u>\$5,682</u>	<u>\$3,462</u>

Adjustments to the net defined benefit liabilities (assets):

	<u>Present value of the defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined plan liabilities (assets)</u>
2021.01.01	\$7,562	\$(4,100)	\$3,462
Current service cost	-	-	-
Interest expense (income)	32	(17)	15
Past service cost and settlement gain or loss	-	-	-
Subtotal	<u>7,594</u>	<u>(4,117)</u>	<u>3,477</u>
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	327	-	327
Experience-based adjustments	2,157	-	2,157
Remeasurement of defined benefit assets	<u>-</u>	<u>(56)</u>	<u>(56)</u>
Subtotal	<u>2,484</u>	<u>(56)</u>	<u>2,428</u>
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	<u>-</u>	<u>-</u>	<u>-</u>
2021.12.31	10,078	(4,396)	5,682
Current service cost	-	-	-
Interest expense (income)	83	(36)	47
Past service cost and settlement gain or loss	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>10,161</u>	<u>(4,432)</u>	<u>5,729</u>
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic	-	-	-

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
assumptions			
Actuarial gains or losses from financial assumptions	(1,029)	-	(1,029)
Experience-based adjustments	184	-	184
Remeasurement of defined benefit assets	-	(316)	(367)
Subtotal	<u>(845)</u>	<u>(316)</u>	<u>(1,162)</u>
Benefits paid	-	-	-
Employer allocations	-	(224)	(224)
Effects of changes in foreign exchange rates	-	-	-
2022.12.31	<u>\$9,316</u>	<u>\$(4,972)</u>	<u>\$4,344</u>

The following key assumptions are used to determine the Company's defined benefit plan:

	2022.12.31	2021.12.31
Discount rate	1.46%	0.82%
Expected rate of salary increase	2.60%	2.60%

Sensitivity analysis of every material actuarial assumption:

	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.5% increase in discount rate	\$-	\$723	\$-	\$832
0.5% decrease in discount rate	793	-	916	-
0.5% increase in expected salary	780	-	895	-
0.5% decrease in expected salary	-	719	-	822

The purpose of conducting the aforementioned sensitivity analysis is to analyze the possible impact of determining a defined benefit obligation when a single actuarial assumption (e.g. discount rate or expected salary) undergoes a reasonably likely change, assuming all other assumptions remain unchanged. Since some of the actuarial assumptions are related to each other, there are few separate actuarial assumptions that undergo singular changes in reality, so the analysis has its limitations.

The methods and assumptions used in the current period of sensitivity analysis are no different from the previous periods.

p. Equity

1) Ordinary Shares

As of December 31, 2022 and December 31, 2021, the Company's authorized share capital is NT\$1,500,000 thousand and NT\$1,500,000 thousand, and has issued NT\$891,352 thousand and NT\$700,431 thousand in shares, respectively. Each share has a par value of NT\$10, and 89,135 thousand shares and 70,043 thousand shares were issued, respectively. Each share has one voting right and right to receive dividend.

In 2021, the first batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT\$38,778 thousand, for which 657 thousand ordinary shares were converted, and the paid-in capital after the increase was NT\$540,017 thousand with part value of NT\$10 at 54,002 thousand shares.

On July 2, 2021, the Company's Annual Shareholders' Meeting has approved the capital increase by reinvestment of a surplus of NT\$160,414 thousand. Upon approval of the Board of Directors on August 12, 2021, September 5, 2021 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT\$700,431 thousand with par value of NT\$10 at 70,043 thousand shares.

In 2021, the exercised conversion rights issued by the Company of NT\$36,138 thousand, for which 668 thousand ordinary shares were converted, and the paid-in capital after the increase was NT\$707,110 thousand with part value of NT\$10 at 70,711 thousand shares. Base date of increase is still pending for the Board of Directors' approval as of December 31, 2021, so the capital is recognized as a prepaid capital.

In 2022, a total of NT\$46,748 thousand was exercised, for which 924 thousand common shares were converted. After the capital increase, the paid-in share capital was NT\$898,590 thousand, with per value of NT\$10 at 89,859 thousand shares, of which 724 thousand common shares were still pending for the Board of Directors' approval as of December 31, 2022, so the capital is recognized as a prepaid capital.

On May 31, 2021, the Company approved a surplus capital increase of NT\$ 182,241 thousand by resolution of the shareholders' meeting. On July 7, 2022, the capital increase plan was decided by the Board of Directors to use August 8 of the same year as the base date for the capital increase. The paid-in share capital after the capital increase was NT\$ 891,352 thousand, with per value of NT\$10 at 89,135 thousand shares.

2) Capital surplus

	2022.12.31	2021.12.31
Share premium of ordinary shares	\$751,748	\$714,240
Employee stock options	15,589	9,148
Stock options	97,348	-
Expired stock options	3,260	2,957
Total	<u>\$867,945</u>	<u>\$726,345</u>

According to the law, the capital reserve shall not be used except to make up for the Company deficit. When the Company has no deficit, the overage of the shares issued by the par value and the capital reserve generated by the proceeds of the donation can be used to charge up the capital up to a certain percentage of the paid-up capital each year. The aforesaid capital surplus may also be distributed in cash in proportion to the original share of the shareholders. In addition, capital surplus arising from any long-term equity investment shall not be used for any purpose.

3) Appropriation of net income and dividend policy

a) Appropriation of net income

Pursuant to the Company's Articles of Incorporation, if a surplus is available after closing the accounts, it shall be first used to pay taxes, make up past deficits, then 10% of which shall be appropriated as legal capital reserve. However, the Company is exempted from such appropriation in case the legal capital reserve has reached the Company's total capital, and the Company shall appropriate special capital reserve according to applicable laws or regulations from the competent authority. The remainder of which and any accumulated and unappropriated net income from previous years shall be appropriated as net income available for appropriation. The Board of Directors shall propose the appropriation of net income and submit for a resolution at the Shareholders' Meeting, then distribute bonus to shareholders accordingly.

Where the aforementioned dividends and bonuses are distributed entirely or partially in cash, the Board of Directors shall be authorized to determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors and report to the Shareholders' Meeting, and the submission for a resolution at the Shareholders' Meeting in Paragraph 1 is not applicable.

b) Dividend policy

To respond to economic changes and to strengthen the Company's financial structure, the Company has adopted a balanced dividend policy. The policy for future dividend distribution is as follows:

- i. The Company will appropriate no less than 10% of the aforementioned distributable net income as shareholders' dividends. Nevertheless, when distributable net income is less than 10% of the paid-in capital, the Company may propose not to appropriate any bonus.
- ii. In consideration of a balanced and stable dividend policy, the Company will appropriate either share or cash dividends according to the needs of funds and the degree of dilution to earnings per share. Appropriations of cash dividend shall be no less than 10% of the annual total dividends.

c) Legal capital reserve

Pursuant to the Company Act, legal capital reserve shall be appropriated until the total sum of which has reached the paid-in capital. Legal capital reserve shall be used toward making up for the deficit. When the Company does not have past deficits, the Company may issue new shares or distribute cash with the portion of legal capital reserve that exceeds 25% of the paid-in capital.

d) Special capital reserve

During appropriation of distributable net income, the Company appropriated the difference between the balance allocated to special capital reserve during first-time adoption of IFRS and net deductions in other equity items to the special capital reserve in compliance with regulations. Subsequently, if the net balance of other equity deduction has reversed, the reversal shall be applicable

to special capital reserve to distribute earnings for the reversed part of other equity net deductions.

Pursuant to the FSC Explanation Order No. 1090150022 issued on March 31, 2021, upon the first-time adoption of IFRS, on the transition date, the Company's partial retained earnings transferred due to the exemption of IFRS 1 "First-time Adoption of IFRS" from those accounted under unrealized revaluation increment and cumulative adjustment gains shall be recognized as a special capital reserve for the same amount. Where the Company's relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

The Company has no conditions where special capital reserve appropriation amount has occurred due to first-time adoption of IFRS.

- e) The Board of Directors of the Company as of February 23, 2023 and the Regular Meeting of Shareholders as of May 31, 2022, respectively, proposed and resolved the appropriation of earnings for the years 2022 and 2021, as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal capital preserve	\$70,123	\$40,499		
Special capital reserve	1,372	-		
Cash dividends for ordinary shares	422,522	182,242	\$4.70	\$2.57
Stock dividends for ordinary shares	206,766	182,241	2.30	2.57

See Note 6 (21) for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors.

- q. Share-based payment plan

Company employees can receive share-based payment as a part of the employee benefits plan. Employees provide service as the consideration for receiving equity instruments, and such transactions will be treated as equity-settled share-based payment transactions.

Employee share-based payment plan

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 4,000 units of employee stock options on October 29, 2019. Each unit of equity security can be used to subscribe for 1,000 shares of the Company's ordinary shares. The Company will issue new shares when employees exercise such an option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock option certificate has been granted. The duration of this stock option certificate is six years.

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued

4,500 units of employee stock options on November 29, 2022. Each unit of equity security can be used to subscribe for 1,000 shares of the Company's ordinary shares. The Company will issue new shares when employees exercise such an option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock options certificate has been granted. The duration of this stock options certificate is five years.

Information on the aforementioned share-based payment is as follows:

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT\$)
2019.12.01	1,879	\$43.00
2020.10.27	2,017	\$52.90
2022.12.15	4,500	\$287.00

- 1) The following pricing model and assumptions are used toward the share-based payment plan granted:

	2019	2020	2022
Expected fluctuation rate (%)	16.56%-24.87%	13.86%-45.03%	19.31%
Risk-free interest rate (RFR) (%)	0.552%-0.580%	0.158%-0.203%	1.0935%-1.1094%
Expected year of 100% stock subscription (year)	6	6	5
Weighted-average stock price (NT\$)	82.60	86.20	287
Pricing model used	Black-Scholes	Black-Scholes	Black-Scholes

The expected duration of the option is based on historical data and current expectations and therefore may not necessarily be consistent with actual implementation. The expected volatility is the historical volatility of the period in which the hypothesis is similar to the duration of the stock options, which represents the future trend, but may not necessarily be consistent with future actual results.

- 2) Information on the employee stock option plan issued for the years ended December 31, 2022 and 2021:

	2022		2021	
	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)
Outstanding stock options on January 1	3,103	\$60.52	3,896	\$60.52
Stock options granted in the current period	4,500	287.00	-	-
Stock subscriptions in the current period	(914)	54.10	(668)	54.10
Stock options expired for the period	(96)	-	(125)	-
Outstanding stock options on December 31	<u>6,593</u>	<u>\$211.61</u>	<u>3,103</u>	<u>\$60.52</u>

Executable stock options on December 31	2,093	1,166
Weighted-average fair value of the stock options granted in the current period	\$46.76	\$-

- 3) Below is the aforementioned share-based payment plan outstanding as of December 31, 2022 and December 31, 2021:

<u>2022.12.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$43.00	2.92 years
Granted on October 27, 2020	\$52.90	3.82 years
Granted on December 15, 2022	\$287.00	4.96 years

<u>2021.12.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$54.10	3.92 years
Granted on October 27, 2020	\$66.50	4.82 years

- 4) The expense recognized by the Company for employee share-based payment plans is shown as the following:

	<u>2022</u>	<u>2021</u>
Recognized expenses due to share-based payment transactions	\$6,744	\$6,173
(All are equity delivery share-based payment)		

- r. Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts		
Revenue from sale of goods	\$14,504,078	\$11,287,925
Revenue from provision of service	43,879	34,471
Total	\$14,547,957	\$11,322,396

Information regarding the Company's revenue from customer contracts is as follows:

- 1) Breakdown of revenue

	<u>2022</u>	<u>2021</u>
	<u>Single department</u>	<u>Single department</u>
Sales revenue	\$14,504,078	\$11,287,925
Service revenue	43,879	34,471
Total	\$14,547,957	\$11,322,396

Timing of revenue recognition:

At a fixed point in time	\$14,547,957	\$11,322,396
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2) Contract balance

a) Contract liability - current

	2022.12.31	2021.12.31	2021.01.01
Sales of goods	\$626	\$515	\$502
Customer loyalty program	15,735	11,275	7,602
Total	<u>\$16,361</u>	<u>\$11,790</u>	<u>\$8,104</u>

Explanations of the changes in the balance of contract liabilities in 2022 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(10)	\$(5,959)
Increase in advance payment for the period	121	10,419

Explanations of the changes in the balance of contract liabilities in 2021 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(14)	\$(5,009)
Increase in advance payment for the period	27	8,682

s. Expected credit loss (gain)

	2022	2021
Operating expenses - estimated credit impairment loss		
Accounts receivable	\$-	\$-

Please refer to Note 12 for information on credit risk.

- 1) Historical records of credit impairment on the Company's receivables (including notes receivable and accounts receivable) indicate that diverse types of impairment loss is not found between different groups of customers. Therefore, allowance for loss is assessed using the same group and relevant information can be found in the following:

As of December 31, 2022

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$841,516	\$-	\$29	\$841,545
Rate of loss	0%	100%	100%	
Expected lifetime credit loss	(389)	-	(29)	(418)
Carrying Amount	<u>\$841,127</u>	<u>\$-</u>	<u>\$-</u>	<u>\$841,127</u>

As of December 31, 2021

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$806,192	\$62	\$-	\$806,254
Rate of loss	0%	100%	100%	
Expected lifetime credit loss	(356)	(62)	-	(418)
Carrying Amount	\$805,836	\$-	\$-	\$805,836

Note: None of the Company's notes receivable have become overdue.

- 2) Information on the changes in the allowances for notes receivable and accounts receivable of the Group for 2022 and 2021 is as:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$418
Recognized in the period	-	-
2022.12.31	\$-	\$418
2021.01.01	\$-	\$418
Recognized in the period	-	-
2021.12.31	\$-	\$418

t. Lease

- 1) The Company is the lessee

The Company leases real property (building and construction), and the term of lease for each contract is between 3 years to 20 years. Some of the contracts have stipulated that without the lessor's consent, a lessee may not lease out, sublease, dispose of right, or grant all or part of the leased object's use to others using other methods, or to give the right of lease to others.

The following is a description of the leases' impacts on the Company's financial position, financial performance, and cash flow:

- a) Amount recognized in the balance sheet
 i. Right-of-use assets

	<u>Building and construction</u>
Cost:	
2022.01.01	\$4,065,814
Acquisition	738,468
Disposal	<u>(38,171)</u>
2022.12.31	<u>\$4,766,111</u>
2021.01.01	\$3,479,481
Acquisition	693,612
Disposal	<u>(107,279)</u>
2021.12.31	<u>\$4,065,814</u>
Depreciation and impairment:	
2022.01.01	\$1,343,749
Depreciation	381,357
Disposal	<u>(629)</u>
2022.12.31	<u>\$1,724,477</u>
2021.01.01	\$1,045,110
Depreciation	318,266
Disposal	<u>(19,627)</u>
2021.12.31	<u>\$1,343,749</u>
Carrying amount:	
2022.12.31	<u>\$3,041,634</u>
2021.12.31	<u>\$2,722,065</u>

- ii. Lease liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Lease liabilities	<u>\$3,166,056</u>	<u>\$2,822,080</u>
Current	<u>\$387,569</u>	<u>\$303,748</u>
Non-current	<u>\$2,778,487</u>	<u>\$2,518,332</u>

Please refer to Note 6.22 (3) Financing Costs for the Company's interest expense for lease liabilities in 2022 and 2021; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of December 31, 2022 and December 31, 2021.

- b) Revenues and expenses related to the lessee and lease activities

	<u>2022</u>	<u>2021</u>
Short-term lease expense	\$(46,390)	\$(24,511)
Revenue from sublease of right-of-use assets	35,143	29,730

As of December 31, 2022 and December 31, 2021, the Company's committed short-term lease composition is not similar to the category of the aforementioned lease target related to short-term lease expense, and related lease commitment has amounted to NT\$0.

c) Cash outflow related to the lessee and lease activities

The total cash outflow related to lease of the Company in 2022 and 2021 was NT\$437,733 thousand and NT\$350,656 thousand respectively.

2) The Company is the lessor

The Company classifies leases in which nearly all risks and rewards associated with the ownership of the target asset will not be transferred during the lease as operating leases.

	2022	2021
Lease revenue recognized from operating lease		
Fixed lease payment	\$35,143	\$29,730

In signing operating lease contracts, the Company has the following total amount of undiscounted lease payment as of December 31, 2021 and December 31, 2020 and for the remaining:

	2022	2021
Less than one year	\$17,936	\$20,465
More than 1 but no more than 2 years	16,041	17,974
More than 2 but no more than 3 years	15,723	16,079
More than 3 but no more than 4 years	14,018	15,761
More than 4 but no more than 5 years	9,710	14,040
More than 5 years	26,182	35,892
Total	\$99,610	\$120,211

u. The following is a compilation of employee benefits, depreciation and amortization expense by function:

Function Characteristic	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$903,297	\$903,297	\$-	\$724,243	\$724,243
Labor and health insurance expenses	-	95,969	95,969	-	80,729	80,729
Pension expenses	-	45,627	45,627	-	38,997	38,997
Remuneration of Directors	-	14,107	14,107	-	11,735	11,735
Other employee benefit expenses	-	71,321	71,321	-	55,481	55,481
Depreciation expenses	-	579,829	579,829	-	484,023	484,023
Amortization expenses	-	4,323	4,323	-	2,902	2,902

Note:

- As of December 31, 2022 and December 31, 2021, the Company had 1,857 and 1,711 employees in average in which five and three of whom were Directors who do not concurrently hold positions as employees of the Company, respectively.
- For companies whose shares are listed on the Taiwan Stock Exchange (TWSE) or

the Taipei Exchange (TPEX), the following information should also be disclosed:

- a) Average employee benefit expenses for 2022 and 2021 were NT\$603 thousand and NT\$527 thousand respectively.
- b) Average employee salary expenses for 2021 and 2020 were NT\$488 thousand and NT\$424 thousand respectively.
- c) Average employee salary adjustment has been 15.09%.
- d) The Company has set up an audit committee to replace the supervisor in accordance with the regulations.
- e) The Company's remuneration policy: on top of basic salaries, as part of the employees' compensations, the Company may distribute bonuses based on operating conditions to inspire and to retain high-performing employees. In terms of annual salary adjustments, salary adjustment items and amounts are proposed based on employees' positions and performance separately, while the Board of Directors is authorized to discuss and approve remunerations for Directors in line with the Director's level of participation in the Company's operations and value of contribution and in reference in industry practices. The Company's compensations for managers are handled in accordance with Article 29 of the Company Act.

The Company's Articles of Incorporation provide that if there is profit in the year, 3-10% of profit shall be allocated for employee compensation, and no more than 3% shall be allocated for remunerations of the Directors and Supervisors. But when accumulated loss is present, the Company shall first retain the profit to make up for deficits. The aforementioned employee compensation appropriated in shares or dividends shall be approved by a Board of Directors meeting attended by two-thirds or more of all Directors, and by a majority vote of all attending Directors, and reported to the Shareholders' Meeting. Please see the Market Observation Post System (MOPS) from the Taiwan Stock Exchange (TWSE) for information on employee compensation and remunerations of the Directors and Supervisors, as approved by the Board of Directors.

Based on the Company's profitability conditions, employee compensation and remunerations of the Directors and Supervisors recognized in 2022 were NT\$26,697 thousand and NT\$5,072 thousand respectively. Employee compensation and remunerations of the Directors and Supervisors recognized in 2021 were NT\$15,357 thousand and NT\$4,556 thousand respectively. The aforementioned amounts were recorded under compensation expenses. If the Board of Directors approves of appropriation of share-based employee bonus, the closing price on the date before the Board's resolution will be used as the basis of the share distribution. If difference is found between the estimate and the actual distributions after the Board's approval, the difference will be recorded as profit or loss in the subsequent year.

On February 23, 2023, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for 2022 of NT\$26,697 thousand and NT\$5,072 thousand respectively. No material difference is found between the actual distributions and the expenses recognized on the 2022 financial statements.

The actual distribution of employee compensation and remunerations of the Directors for the year ended December 31, 2021 had no material difference from the expenses recognized in financial statements.

v. Non-operating income and expenses

1) Interest income

	2022	2021
Financial assets measured at amortized cost	<u>\$4,190</u>	<u>\$714</u>

2) Other income

	2022	2021
Rental revenue	<u>\$35,143</u>	<u>\$29,730</u>
Other income - others	<u>7,895</u>	<u>10,274</u>
Total	<u>\$43,038</u>	<u>\$40,004</u>

3) Other gains and losses

	2022	2021
Net loss from foreign exchange	<u>\$12,544</u>	<u>\$(1,856)</u>
Gains on lease modifications	502	2,598
Gain (Loss) on disposal of property, plant and equipment	1,123	101
Gain (loss) on financial assets measured at fair value through profit or loss	(434)	-
Other expenditures - other	<u>(6)</u>	<u>(688)</u>
Total	<u>\$13,729</u>	<u>\$155</u>

4) Financing costs

	2022	2021
Interest from bank loans	<u>\$4,143</u>	<u>\$3,595</u>
Interest expense from corporate bonds	5,598	195
Interest from lease liabilities	<u>34,895</u>	<u>30,717</u>
Total	<u>\$44,636</u>	<u>\$34,507</u>

w. Components of the other comprehensive income (loss)

Other comprehensive income for the year ended December 31, 2022 is as follows:

	Arising in the current period	Reclassification and adjustment in the current period	Other comprehensive income (loss)	Tax benefits	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$1,161	\$-	\$1,161	\$-	\$1,161
Unrealized gain or loss on investment in equity instruments measured at fair value through other comprehensive income	(1,167)	-	(1,167)	\$-	(1,167)
Items that may subsequently be reclassified to profit or loss:					
Exchange differences translated from the financial statements of foreign operations	(205)	-	(205)	-	(205)
Total	\$(211)	\$-	\$(211)	\$-	\$(211)

Other comprehensive income for the year ended December 31, 2021 is as follows:

	Arising in the current period	Reclassification and adjustment in the current period	Subtotal	Tax benefits (expenses)	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$(2,428)	\$-	\$(2,428)	\$-	\$(2,428)

x. Income tax

1) Major components of income tax expenses (gains) are as follows:

Income tax recognized in profit or loss

	2022	2021
Current tax expenses (gains):		
Current tax payable	\$163,441	\$88,544
Adjustments in respect of current income tax of prior periods	113	103
Deferred tax expenses (gains):		
Deferred tax expenses (gains) related to initial recognition of temporary difference and its reversal	(5,485)	(4,086)
Income tax expense (profit)	<u>\$158,069</u>	<u>\$84,561</u>

Income tax recognized in other comprehensive income

	2022	2021
Deferred tax expenses (gains):		
Remeasurement of defined benefit plans	<u>\$-</u>	<u>\$-</u>

2) Adjustments of amount of income tax expense and accounting profit multiplied by applicable tax rate as follows:

	2022	2021
Profit before tax for continuing operations	<u>\$858,140</u>	<u>\$491,979</u>
Tax calculated at the domestic tax rate applicable to the income in relevant country	\$171,628	\$98,396
Tax effects of tax-exempt income	(19,300)	(12,731)
Tax effects of non-deductible expenses	5,628	(1,207)
Adjustments in respect of current income tax of prior periods	113	103
Tax expense (benefits) recognized in profit or loss	<u>\$158,069</u>	<u>\$84,561</u>

3) Deferred income tax asset (liabilities) balances related to the following items:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	\$1,248	\$1,902	\$-	\$-	\$3,150
Exchange loss (gain)	924	(2,552)	-	-	(1,628)
Deferred revenue	2,255	892	-	-	3,147
Unrealized profit on sales	6,937	5,195	-	-	12,132
Sales return	464	-	-	-	464
Investments accounted for using the equity method	-	48	-	-	48
Deferred tax (expense) / gain		<u>\$5,485</u>	<u>\$-</u>	<u>\$-</u>	
Amount of Deferred net tax asset/ (liabilities)	<u>\$11,828</u>				<u>\$17,313</u>

Information stated on balance sheet is as follows:

Deferred tax assets	<u>\$11,828</u>	<u>\$18,941</u>
Deferred income tax liabilities	<u>\$-</u>	<u>\$(1,628)</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	\$279	\$969	\$-	\$-	\$1,248
Exchange loss (gain)	658	266	-	-	924
Deferred revenue	1,520	735	-	-	2,255
Unrealized profit on sales	5,285	1,652	-	-	6,937
Sales return	-	464	-	-	464
Deferred tax (expense) /gain		<u>\$4,086</u>	<u>\$-</u>	<u>\$-</u>	
Amount of Deferred net tax asset/ (liabilities)	<u>\$7,742</u>				<u>\$11,828</u>
Information stated on balance sheet is as follows:					
Deferred tax assets	<u>\$7,742</u>				<u>\$11,828</u>
Deferred income tax liabilities	<u>\$-</u>				<u>\$-</u>

4) Filing and review of income tax

As of December 31, 2022, the Company's income tax filing and review conditions are as follows:

The Company	<u>Filing and review of income tax</u> <u>Reviewed to 2020</u>
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y. Earnings per share (EPS)

The calculation of the basic earnings per share (EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the Company for the current year by the weighted-average number of ordinary shares outstanding in the current year.

Diluted earnings per share (Diluted EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the Company (after adjusting for the dilution effect) by the weighted-average number of ordinary shares outstanding in the current year plus all weighted-average number of ordinary shares to be issued when the potential ordinary shares with dilutive effect are converted into ordinary shares.

1) Basic EPS

	2022	2021
Net income (in NT\$1,000)	<u>\$700,071</u>	<u>\$407,418</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	<u>89,145</u>	<u>87,866</u>
Basic EPS (NT\$)	<u>\$7.85</u>	<u>\$4.64</u>

2) Diluted EPS

	<u>2022</u>	<u>2021</u>
Net profit attributable to holders of ordinary shares of the parent company	\$700,071	\$407,418
Redemption gain or loss from issuance of domestic convertible bonds	434	-
Interest from convertible bonds	<u>4,580</u>	<u>174</u>
Holder's of the parent company's ordinary shares after dilutive effect		
Net profit	<u>\$705,085</u>	<u>\$407,592</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	89,145	87,866
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	99	82
Employee stock options (in 1,000 shares)	2,506	2,862
Convertible bonds (in 1,000 shares)	<u>1,207</u>	<u>192</u>
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	<u>92,957</u>	<u>91,002</u>
Diluted EPS (NT\$)	<u>\$7.59</u>	<u>\$4.48</u>

There were no significant changes to other transactions in the circulation of outstanding ordinary shares or potential issuance of ordinary shares after the reporting period until the financial statements have been approved and announced.

7. Related Party Transactions

- a. Related parties who have had transactions with the Company during the reporting period include the following:

Name and relationship of the related parties

<u>Name of related party</u>	<u>Relations with the Company</u>
Ivy Biotechnology Co., Ltd.	Subsidiary
Bai-Lin Logistics Co., Ltd.	Subsidiary
Da Yu Property Management Co., Ltd.	Subsidiary
Great Tree Pets Co., Ltd.	Subsidiary
GREAT TREE INTERNATIONAL SDN. BHD.	Subsidiary

- b. Material transaction matters with related parties

1) Sales

	<u>2022</u>	<u>2021</u>
Bai-Lin Logistics Co., Ltd.	\$3,803,892	\$3,139,710
Great Tree Pets Co., Ltd.	-	71
Total	<u>\$3,803,892</u>	<u>\$3,139,781</u>

The transaction price of products sold to related party Bai-Lin Logistics Co., Ltd. by the Company were different from transactions with other customers and transaction prices could not be compared. The sales price of the goods sold to Great Tree Pets

Co., Ltd. shall be negotiated by both parties with reference to market conditions, which is comparable to regular customers. Additionally, the payment term is to offset debts and liabilities and credit 30 days, respectively, while payment term for regular customers ranged from credit 60-120 days.

2) Purchases

	<u>2022</u>	<u>2021</u>
Ivy Biotechnology Co., Ltd.	<u>\$608,982</u>	<u>\$438,262</u>

Purchases from related parties were different from transactions with other suppliers and transaction prices could not be compared. Additionally, terms of sale were credit for 30 days while the terms of sale for the average customer ranged from credit for 60-90 days.

3) Lease

a) Rental revenue

<u>Name of related party</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
Ivy Biotechnology Co., Ltd.	Building and construction	\$7,198	\$7,198
Great Tree Pets Co., Ltd.	Building and construction	4,857	952
Total		<u>\$12,055</u>	<u>\$8,150</u>

4) Operating expenses

<u>Name of related party</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
Bai-Lin Logistics Co., Ltd.	Shipping fee	<u>\$15,821</u>	<u>\$12,470</u>

5) Other income

<u>Name of related party</u>	<u>2022</u>	<u>2021</u>
Great Tree Pets Co., Ltd.	<u>\$1,381</u>	<u>\$798</u>

6) Accounts receivable - related parties

	<u>2022.12.31</u>	<u>2021.12.31</u>
Ivy Biotechnology Co., Ltd.	\$116	\$34
Bai-Lin Logistics Co., Ltd.	490,032	381,782
Great Tree Pets Co., Ltd.	800	49
Less: allowance for loss	-	-
Net balance	<u>\$490,948</u>	<u>\$381,865</u>

7) Other receivables - related parties

	<u>2022.12.31</u>	<u>2021.12.31</u>
Ivy Biotechnology Co., Ltd.	\$19,868	\$27,176
Da Yu Property Management Co., Ltd.	-	1,885
Great Tree Pets Co., Ltd.	1,357	1,039
Bai-Lin Logistics Co., Ltd.	-	5,000
GREAT TREE INTERNATIONAL SDN. BHD.	158	-
Total	<u>\$21,383</u>	<u>\$35,100</u>

8) Notes payable - related parties		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$123,885	\$134,581
9) Accounts payable - related parties		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$50,379	\$50,802
Great Tree Pets Co., Ltd.	7	-
Total	\$50,386	\$50,802
10) Other payables - related parties		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$118	\$118
Bai-Lin Logistics Co., Ltd.	124	124
Da Yu Property Management Co., Ltd.	699	-
Total	\$941	\$242
11) Guarantee deposits		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$240	\$240
12) Bonuses for the Company's key managerial officers		
	2022	2021
Short-term employee benefits	\$17,630	\$16,852
Retirement benefits	610	590
Share-based payment	588	895
Total	\$18,828	\$18,337

8. Assets Pledged

The Company has pledged the following assets as collateral:

Item	Carrying Amount		Content of the secured liabilities
	2022.12.31	2021.12.31	
Financial assets measured at amortized cost – current	\$24,000	\$24,000	Credit card guarantee
Financial assets measured at amortized cost - non-current	3,000	3,000	Purchase contract guarantee
Total	\$27,000	\$27,000	

9. Significant Contingent Liabilities and Unrecognized Contracts

N/A.

10. Contingent Disaster Loss

N/A.

11. Significant Post-reporting Period Matters

N/A.

12. Others

a. Categories of financial instruments

Financial assets

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at fair value through profit or loss	\$1,620	\$-
Mandatorily measured at fair value through profit and loss		
Financial assets measured at fair value through other comprehensive income	48,833	-
Financial assets measured at amortized cost:		
Cash and cash equivalents	2,308,206	1,247,408
Financial assets measured at amortized cost	27,000	27,000
Notes receivable	1,902	2,144
Accounts receivable	348,277	421,827
Accounts receivable - related parties	490,948	381,865
Other receivables	113,689	43,213
Other receivables - related parties	21,383	35,100
Subtotal	<u>3,311,405</u>	<u>2,158,557</u>
Total	<u>\$3,361,858</u>	<u>\$2,158,557</u>

Financial liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial liabilities at amortized cost:		
Short-term loans	\$-	\$370,000
Accounts payable	2,734,458	2,110,003
Bonds payable (including those maturing within 12 months)	1,167,392	-
Lease liabilities	3,166,056	2,822,080
Total	<u>\$7,067,906</u>	<u>\$5,302,083</u>

b. Objective and policy of financial risk management

The objective of the Company's financial risk management is to manage the market risk, credit risk, and liquidity risk related to operating activities. The Company conducts the identification, valuation, and management of the aforementioned risks based on the Company's policy and risk appetite.

The Company has set up appropriate policy, procedures, and internal control in regards to the aforementioned financial risk management based on relevant standards. Material financing activities need to be reviewed by the Board of Directors in regards to relevant standards and internal control system. During implementations of financial management activities, the Company shall strictly abide by the regulations for financial risk management that have been set up.

c. Market risk

The Company's market risk is the risk of changes in fair value or cash flow from financial instruments due to market price changes. Market risk mostly includes exchange rate risk, interest rate risk, and other pricing risks (e.g. equity instruments).

In practice, very few risk variables are single-occurring, and the change in each risk variable is usually correlated. Nevertheless, the sensitivity analysis on the following risks does not take the interactions between various risk variables into consideration.

Exchange rate risk

The Company's operating activities are mostly transactions using the functional currency; therefore, exchange rate risk should not arise.

Interest rate risk

Interest rate risk is the risk of changes in fair value or future cash flow from financial instruments due to changes in market interest rate. The Company's interest rate risk mostly includes variable rate investments classified as variable rate debt instrument investments.

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases or decreases by 0.1%, the Group's 2022 and 2021 income will increase by NT\$1,445 thousand and decrease by NT\$1,244 thousand respectively.

Equity price risk

The Company holds unlisted and non-OTC equity securities, and the fair values are susceptible due to the uncertainties of the future values of such investment targets. The unlisted and non-OTC equity securities held by the Company includes the category of that measured at fair value through other comprehensive income. The Company manages the price risk of equity securities by diversified investments and setting limits for individual and collective equity securities investments. The investment portfolio information of equity securities shall be regularly provided to the senior management of the Company, and the Board of Directors shall review and approve all investment decisions in equity securities.

Please refer to Note 12.8 for sensitivity analysis information of other equity instruments belonging to Rank 3 of the fair value rank.

d. Credit risk management

Credit risk refers to the risk that the counterparty is unable to fulfill contractual obligations and leads to financial loss. The Company's credit risk mostly comes from operating activities (mostly from accounts receivable and notes) and financing activities (mostly bank deposits and various financial instruments).

Each business unit of the Company follows credit risk policy, procedure, and controls in managing credit risks. The credit risk valuation of all trading counterparties comprehensively measures factors including the counterparties' financial status, credit rating, past transaction experiences, current economic environment, and the Company's internal valuations. The Company also adopts certain credit enhancement tools (e.g. prepaid sales and insurance) on a timely basis to reduce the credit risk from certain customers.

As of December 31, 2022 and December 31, 2021, with the exception of accounts receivable from subsidiary, Bai-Lin Logistics Co., Ltd., which accounts 58.36% and 47.48% of the Company's accounts receivable respectively, the Company has not had concentration of credit risk on individual customers, hence credit risk should be moderate.

The Company's financing department manages credit risk by managing bank deposits and other financial instruments in accordance with Company policy. As the Company's transaction counterparties are determined by internal control procedures and are banks with good credit and investment-grade financial institutions, the Company is not subjected to material credit risk.

The Company has adopted IFRS 9 in the valuation of expected credit loss. Receivables are measured as allowances for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk and valued on each balance sheet date to determine whether there has been significant increase in credit risk since initial recognition to determine the method of allowance for loss and its rate of loss.

Additionally, when evaluating financial assets that cannot be reasonably recovered, the Company will write-off the assets (for instance, if the issuer or the debtor experiences material financial difficulty or has become bankrupt).

e. Liquidity risk management

The Company maintains financial flexibility through contracts including cash and cash equivalents, convertible bonds, and leases. The following table summarizes the maturity of the payments contained in the contracts of the Company's financial liabilities. It is compiled based on the date on which the earliest possible repayment is required using its undiscounted cash flow. The amounts listed also include contracted interest. For interest cash flow paid using variable rate, its undiscounted interest is obtained through the yield curve at the end of the reporting period.

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
<u>2022.12.31</u>							
Accounts payable	\$2,734,458	\$-	\$-	\$-	\$-	\$-	\$2,734,458
Bonds payable	-	-	1,220,000	-	-	-	1,220,000
Lease liabilities	413,068	399,158	385,835	368,667	340,649	1,345,393	3,252,770
<u>2021.12.31</u>							
Short-term loans	\$370,457	\$-	\$-	\$-	\$-	\$-	\$370,457
Accounts payable	2,110,003	-	-	-	-	-	2,110,003
Lease liabilities	362,402	357,583	343,508	329,362	311,198	1,408,694	3,112,747

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities in 2022:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2022.01.01	\$370,000	\$53,408	\$2,822,080	\$-	\$3,245,488
Cash flow	(370,000)	35,749	(391,343)	1,257,088	531,494
Non-cash changes					
Changes in scope of lease for the period	-	-	700,424	-	700,424
Others	-	-	-	(95,294)	(95,294)
Interest expenses	-	-	34,895	5,598	40,493
2022.12.31	\$-	\$89,157	\$3,166,056	\$1,167,392	\$4,422,605

Information on adjustments of liabilities in 2021:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2021.01.01	\$370,000	\$34,602	\$2,514,146	\$40,583	\$2,959,331
Cash flow	-	18,806	(326,145)	(2,000)	(309,339)
Non-cash changes					
Changes in scope of lease for the period	-	-	603,362	-	603,362
Corporate bonds conversion	-	-	-	(38,778)	(38,778)
Interest expenses	-	-	30,717	195	30,912
2021.12.31	\$370,000	\$53,408	\$2,822,080	\$-	\$3,245,488

g. Fair value of financial instruments

1) Valuation technique and assumptions used in measuring fair value

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The Company's method and assumptions in valuating or disclosing the fair value of financial assets and financial liabilities are as follows:

- a) The carrying amount of the cash and cash equivalents, account receivables, account payables and other current liabilities is a reasonable approximation of the fair value, mainly because the period of maturity of such instruments is short.
 - b) The fair value of financial assets and financial liabilities that are traded in active market and have standard terms and conditions are determined by reference to market quotations (e.g., listed and traded stocks and bonds).
 - c) For equity instruments without active market (e.g. private placement of shares in listed cabinets, shares of publicly issued companies without active markets, and shares of undisclosed companies), fair value is estimated at market value, which is the price generated by market transactions of the same or comparable equity instruments and other relevant information (e.g. lack of liquidity discount factor, similar price-to-earnings (P/E) ratio, similar price per book value or more).
 - d) For debt instrument investments without active market, bank loans, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).
- 2) Fair value of financial instruments measured at amortized cost

Except for the following, the carrying amount of financial assets and financial liabilities measured by the Company's amortized cost is a close approximation of their fair value.

	Carrying value	
	2022.12.31	2021.12.31
Financial liabilities:		
Bonds payable	\$1,167,392	\$-
	<u>\$1,167,392</u>	<u>\$-</u>
	Fair value	
	2022.12.31	2021.12.31
Financial liabilities:		
Bonds payable	\$1,174,894	\$-
	<u>\$1,174,894</u>	<u>\$-</u>

3) Fair value ranked information of financial instruments

Please refer to Note 12-9 for fair value ranked information of financial instruments.

h. Derivatives

Information on the Company's holding of derivative financial instruments that do not meet the hedge accounting and have not yet expired is as follows:

Embedded derivatives

The Company has identified embedded derivatives from issuance of convertible bonds. These have been separated from the host contract and are treated through measurement at fair value at profit or loss. Please see Note 6 for information on contracts for these transactions.

i. Ranking of fair value

1) Definition of fair value ranking

All assets and liabilities measured or disclosed at fair value are classified at their fair value rank based on the lowest rank of input that is material to the overall fair value. Input value of each rank is as follows:

Rank 1: Rank 1: quotation (unadjusted) of the same asset or liability from an active market can be obtained on the measurement date.

Rank 2: Input value can be directly or indirectly observed for an asset or liability, except for the quotations at rank 1.

Rank 3: Unobservable input value for assets and liabilities.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, revaluation of their respective classification shall be required at the end of each reporting period to determine whether there has been a transfer between ranks of fair value.

2) Fair value ranked information of financial instruments:

The Company has non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is as following:

December 31, 2022:

	<u>Rank 1</u>	<u>Rank 2</u>	<u>Rank 3</u>	<u>Total</u>
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$1,620	\$1,620
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	-	-	48,833	48,833

December 31, 2021: None.

Transfer between rank 1 and rank 2 of fair value ranks

There were no transfers between rank 1 and rank 2 of fair value ranks from January 1, 2021 to December 31, 2022.

Details on changes in repetitive fair value rank 3

For the Company's assets and liabilities measured at repetitive fair value that are categorized as Rank 3, adjustments from beginning to ending balance is as follows:

	Asset	
	Measured at fair value through profit and loss	Measured at fair value through other comprehensive income
	Derivative instruments	Stock and preferred stock
2022.01.01	\$-	\$-
Acquisition/Issuance	2,054	50,000
Recognized in profit or loss (stated in "Other gains and losses")	(434)	-
Recognized in other comprehensive income (presented in "unrealized valuation gain or loss on equity instrument investment measured at fair value of other comprehensive income")	-	(1,167)
2022.12.31	<u>\$1,620</u>	<u>\$48,833</u>

In the total profit or loss recognized above, the amount of profit or loss related to assets held as of December 31, 2022 is NT\$ (434) thousand.

Information on material unobservable input in fair value rank 3

The following table presents the significant unobservable input value for fair value measurement for the Company's assets measured at repetitive fair value in the fair value rank 3:

December 31, 2022

	Valuation techniques	Material unobservable input value	Quantitative information	Relations between input value and fair value	Sensitivity analysis value relationship between input value and fair value
Financial assets:					
<u>Measured at fair value through profit and loss</u>					
Embedded derivatives	Binary tree convertible bond valuation model	Volatility	45.91% ~45.98%	The higher the volatility, the higher the fair value estimates	When the volatility increases (decreases) by 1%, the profit or loss on the Group will increase/decrease by NT\$222 thousand
<u>Financial assets at fair value through other comprehensive income (loss)</u>					
Stock	Market Law	Lack of liquidity discount	30%	The higher the degree of lack of liquidity, the lower the fair value estimation	When the percentage of lack of liquidity increases (decreases) by 1%, the equity in the Company will decrease/increase by NT\$44 thousand

December 31, 2021: None.

- 3) Ranked information not measured at fair value but fair value disclosure is required

December 31, 2022:

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Corporate bonds payable (detailed note 6.14)	\$-	\$-	\$1,174,894	\$1,174,894

December 31, 2021: None.

- j. Information on financial assets and financial liabilities in foreign the currency with material effect: Not applicable.
- k. Capital management

The most important objective of the Company's capital management is to ensure that a healthy credit rating and positive capital ratio can be preserved to support the maximization of business management and shareholders' rights. The Company manages and adjusts capital structure based on economic conditions. We may achieve the objective of preserving and adjusting capital structure through adjusting dividend payment or issuance of new shares.

13. Notes on Disclosures

- a. Information on significant transactions
 - 1) The Company's capital financing for others: None.
 - 2) The Company's endorsement/guarantee for others: None.
 - 3) Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests): please refer to Table 1.
 - 4) The Company's cumulative buy or sell of an individual marketable security of at least NT\$300 million or 20% of the paid-in capital in this period: None.
 - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 2.
 - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Purchases from and sales to related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 3.
 - 8) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 4.
 - 9) Derivatives transactions of the Company: None.
- b. Information on reinvestments:
 - 1) When it has a significant influence or control over the investee company, the relevant information of the investee company (excluding the mainland China investee company) should be disclosed: please refer to Table 5.
 - 2) Disclosure of Investee Information in Note 13.1 When the Company Has Control over the Investee Company:
 - a) Capital financing for others: None.
 - b) Endorsement/guarantee for others: None.
 - c) Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests): None.
 - d) Cumulative buy or sell of an individual marketable security of at least NT\$300 million or 20% of the paid-in capital in this period: None.
 - e) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - f) Disposal of individual real estate properties at prices of at least NT\$300 million

or 20% of the paid-in capital: None.

g) Purchases from and sales to related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 6.

h) Receivables from related parties amounting to NT\$100 million or 20% more than the paid-in capital: please refer to Table 7.

i) Derivatives transactions: None.

c. Information on investments in Mainland China: None.

d. Information on Substantial Shareholders

Name of substantial shareholder	Number of shares held	Shareholding ratio
Jun Wei Investment Co., Ltd.	11,907,440	13.25%
Zhen Han Investment Co., Ltd.	9,885,264	11.00%
Hao Cheng Investments Co., Ltd.	6,897,715	7.67%
Feastogether Group Co., Ltd.	4,527,254	5.03%

14. Departmental Information

The Company has already disclosed information on departments on the Consolidated Financial Statements.

Table 1**Great Tree Pharmacy Co., Ltd.****Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests)****December 31, 2022**

Unit: in NT\$1,000

Name of Held Company	Types and names of securities (Note 1)	Relationship with securities issuer (Note 2)	Financial statement account	End of the Period				Notes (Note 3)
				Number of shares/units	Carrying amount	Shareholding ratio	Fair value	
Great Tree Pharmacy Co., Ltd.	<u>Stock</u> Top Taiwan XIV Venture Capital Co.,Ltd.	-	Measured at fair value through other comprehensive income of financial assets Less: Valuation adjustment of equity instruments measured at fair value through other comprehensive income	5,000,000	\$50,000 (1,167)	2.50%	\$48,833	None
			Total		\$48,833			

Note 1: The term “marketable securities” as used in this table refers to stocks, bonds, beneficiary certificates and securities derived from the above-mentioned items within the scope of IAS 9 “Financial Instruments”.

Note 2: Issuers of marketable securities that are not related persons are exempt from this column.

Note 3: For those listed marketable securities are subject to restricted use due to provision of collateral, pledged loans or other agreements, they shall be indicated in the remarks column for the number of guaranteed or pledged shares, the amount of guarantee or pledged and the restricted usage.

Great Tree Pharmacy Co., Ltd.
Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital
January 1, 2022 to December 31, 2022
 Unit: in NT\$1,000

Company acquired the real property	Name of property	Date of occurrence of event	Transaction amount	Payment status	Counterparty	Relations	Information on prior transactions for counterparty of related party				Basis of reference for price determination	Purpose and use	Other agreed matters
							Owner	Relationship with the Company	Transfer date	Amount			
Great Tree Pharmacy Co., Ltd.	Taoyuan Aerotropolis Project Priority Industrial Zone Land Auction - Base B	2022.06.22	(Note)	Per the contract	Taoyuan City Government	None	None	None	None	None	A bid to Taoyuan City Government for auction	Future long-term business development are needed to increase operational performance.	Per the contract

Note: Jointly bid with Company A and won the bid with a total price of NT\$1,679,968 thousand on July 28, 2021.

Table 3**Great Tree Pharmacy Co., Ltd.****Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital****January 1, 2022 to December 31, 2022**

Unit: in NT\$1,000

company that imports (sells) goods	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Imports (sale) goods	Amount	Ratio to total inputs (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total notes receivable (paid) to accounts receivable	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	\$3,803,892	26.15%	Offset of debts and claims	No other customers for comparison	Non-related parties: 60-120 days credit	Accounts receivable \$490,032	58.36%	
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	\$608,982	5.33%	Credit 30 days	No other vendor for comparison	Non-related parties: 60-90 days credit	Notes payable \$123,885	14.75%	
									Accounts payable \$50,379	3.33%	

Great Tree Pharmacy Co., Ltd.

Receivables from related parties amounting to at least NT\$ 100 million or exceeding 20% of paid-in capital:

December 31, 2022

Unit: in NT\$1,000

Company name	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount Collected Subsequent to the Balance Sheet Date	Allowance for doubtful accounts
					Amount	Treatment		
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	\$490,032	<u>8.73</u>	<u>\$-</u>	-	<u>\$49,716</u>	<u>\$-</u>

Table 5

Great Tree Pharmacy Co., Ltd.

When it has a significant influence or control over the investee company, it should disclose the relevant information of the investee company (excluding the mainland China investee company)

December 31, 2022

Unit: in NT\$1,000

Name of investing company	Investee	Location	Major operations	Initial investment amount		Ending balance			Profit (Loss) of Investee for the Period	Investment income (loss) recognized by the Company for the period	Remark
				Ending balance for the period	Year-end in previous year	Shareholding	Rate %	Carrying amount			
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	No. 145, Chengzhang Fourth Street, Zhongjiao District, Taoyuan City	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs, health supplements, maternity and infant products, and cosmetics	\$40,612	\$40,612	5,900,000 shares	100.00%	\$143,161	\$114,183	\$87,480 (Note 1)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	No. 1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City.	Wholesale and retail business, and packaging and warehousing services of foods and assorted goods, beverages, daily supplies, cleaning products and cosmetics	\$2,000	\$2,000	200,000 shares	100.00%	\$8,381	\$5,420	\$5,420	
Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	No. 143, Chengzhang Fourth Street, Zhongxiaoli District, Taoyuan City	Retail business of animal medication, aquarium fish, and retail and wholesale business of pet food and supply	\$90,000	\$30,000	9,000,000 shares	100.00%	\$62,166	\$(21,941)	\$(21,941)	
Great Tree Pharmacy Co., Ltd.	GREATTREE INTERNATIONAL SDN. BHD.	No. 39-1, Jalan Anggerik Vanilla BF 31/BF, Kota Kemuning, Seksyen 31, 40460 Shan Alam, Selangor, Malaysia	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs and other products	\$10,257 (Note 2)	Not applicable	1,500,000 shares	75.00%	\$9,815	\$(315)	\$(237)	
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	No. 143, Chengzhang Fourth Street, Zhongjiao District, Taoyuan City	Management consultancy, housing and commercial building development, lease and sales, development of special zones, real estate sales and lease, and development, lease, and sales of factory buildings	\$36,000	\$36,000	3,600,000 shares	60.00%	\$31,706	\$1,278	\$767	

Note 1: Includes income from investment recognized using equity method for the period of NT\$114,183 thousand, write-off for lease transaction with related party NT\$724 thousand, realized profit from upstream transactions in previous period of NT\$34,682 thousand, and unrealized profit from upstream transactions for this period of NT\$60,661 thousand.

Note 2: On November 11, 2021, the Company was resolved by the Board of Directors to expand its business in mainland China. A wholly-owned subsidiary of Greentree Pharmacy Hong Kong Limited was established by direct investment of the Company and registration was completed on April 8, 2022. Greentree Sugi Pharmacy Hong Kong Limited was established by Greentree Pharmacy Hong Kong Limited with a shareholding ratio of 60%. The registration was completed on October 26, 2022. As of December 31, 2022 the investment amount has not yet been remitted.

Great Tree Pharmacy Co., Ltd.
Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
January 1, 2022 to December 31, 2022
 Unit: in NT\$1,000

company that imports (sells) goods	Counterparty	Relations	Transaction conditions			Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark	
			Imports (sale) goods	Amount	Ratio to total inputs (sales)	Credit period	Unit price	Credit period	Balance		Ratio of total notes receivable (paid) to accounts receivable
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	\$608,982	99.93%	Credit 30 days	No other customers for comparison	Non-related parties 30-60 days credit	Notes receivable \$123,885	99.88%	
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$3,803,892	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts receivable \$50,379	99.94%	
									Accounts payable \$490,032	100.00%	

Great Tree Pharmacy Co., Ltd.

Receivables from related parties amounting to at least NT\$ 100 million or exceeding 20% of paid-in capital:

December 31, 2022

Unit: in NT\$1,000

Company name	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount Collected Subsequent to the Balance Sheet Date	Allowance for doubtful accounts
					Amount	Treatment		
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	<u>\$174,264</u>	<u>3.39</u>	<u>\$-</u>	-	<u>\$51,308</u>	<u>\$-</u>

VI. Financial turnover difficulties of the company and its affiliated companies in the recent year and up to the printing date of the annual report: None.

Chapter 7 Review, Analysis, and Risks of Financial Conditions and Performance

I. Financial Conditions

Comparative analysis of financial conditions

Unit: thousand NT\$

Item \ Year	2022	2021	Difference	
			Amount	Percentage of change (%)
Current assets	5,745,162	3,738,856	2,006,306	53.66
Property, plant and equipment	830,729	749,832	80,897	10.79
Right-of-use assets	3,222,775	2,768,801	453,974	16.40
Intangible assets	27,626	20,530	7,096	34.56
Other assets	292,177	111,845	180,332	161.23
Total assets	10,118,469	7,389,864	2,728,605	36.92
Current liabilities	3,279,158	2,813,666	465,492	16.54
Non-current liabilities	4,214,575	2,623,702	1,590,873	60.63
Total liabilities	7,493,733	5,437,368	2,056,365	37.82
Capital	898,591	707,110	191,481	27.08
Capital surplus	867,945	726,345	141,600	19.49
Retained earnings	833,792	498,415	335,377	67.29
Non-controlling interests	24,408	20,626	3,782	18.34
Total equity	2,624,736	1,952,496	672,240	34.43

1. Reasons for items with material changes:

Explanation of changes that reach 20% or more in the most recent 2 years and the change reaches NT\$10 million:

- (1) The increase in current assets was mainly due to the increase in working capital and inventories from the issuance of convertible corporate bonds.
- (2) The increase in other assets is mainly due to the increase in financial assets measured at fair value through other comprehensive gains and losses due to the increase in investment in TOP TAIWAN XIV VENTURE CAPITAL CO., LTD. in the current period.
- (3) The increase in total assets is mainly due to the increase in cash and cash equivalents and inventories due to the issuance of convertible corporate bonds.
- (4) The increase in non-current liabilities was mainly due to the issuance of convertible corporate bonds in the current period.
- (5) The increase in total liabilities is mainly due to the issuance of convertible corporate bonds in the current period.
- (6) The increase in share capital is mainly due to the handling of surplus to capital increase, and the exercise of employee stock options in the current period.
- (7) The increase of capital reserve is mainly due to the exercise of employee stock options in the current period.
- (8) The increase in retained earnings is mostly due to the epidemic and continued profitability in this period.

2. Impact and future response plan: aforementioned changes do not pose material unfavorable impacts on the Company; moreover, the Company's overall performance does not contain material abnormalities and hence do not need to propose response measures.

Note: The financial information presented is consolidated information that has followed IFRS reporting standards.

II. Financial Performance

(I) Comparative analysis of financial performance

Unit: thousand NT\$

Item \ Year	2022	2021	Increases (decreases)	Ratio of change (%)
Net operating revenue	14,564,645	11,280,942	3,283,703	29.11
Operating costs	10,533,517	8,337,939	2,195,578	26.33
Net operating margin	4,011,128	2,943,003	1,068,125	36.29
Sales and marketing	3,149,255	2,450,691	698,564	28.50
Operating profit	861,873	492,312	369,561	75.07
Non-operating income and expenses	20,459	17,358	3,101	17.86
Income tax expenses	181,829	101,909	79,920	78.42
Net income	700,503	407,761	292,742	71.79
Other comprehensive income (loss), net	(279)	(2,428)	2,149	-88.51
Total comprehensive income for the period	700,224	405,333	294,891	72.75

Explanation of changes that reach 20% or more in the most recent 2 years and the change reaches NT\$10 million:

- (1) Net operating income increased: mainly due to the impact of the epidemic, the demand for epidemic prevention products increased sharply, and the opening of 61 stores in 2022, the gradually emerging benefits of new stores and the steady growth of revenue of the existing pharmacy.
- (2) Increased operating costs: mostly attributable to increase in operating revenue and has increased accordingly.
- (3) Increase in operating gross profit: mostly attributable to increase in operating revenue and has increased accordingly.
- (4) Increase in operating expenses: mostly attributable to increase in operating revenue, leading to increases in salary expense, rent, and water, electricity, and gas fees.
- (5) Income tax expense: mainly due to the increase in operating income and profit.

Note: The financial information presented is consolidated information that has followed IFRS reporting standards.

(II) Expected sales data and its basis

Please see Letter to Shareholders on Pages 1~4.

(III) Possible influences and response measures to future financing and business

The Company is in the retail/wholesale channel for pharmacy management. Since we operate a variety of products, we also face competition from other pharmacies and drugstores. Under an increasingly competitive environment in the future, the Company will provide professional and well-rounded educational training for our employees to establish a professional brand value for Great Tree Pharmacy Co., Ltd. In addition, we will develop service processes with high entry barriers through our innovative senior core management team, and to differentiate ourselves from industry competitors by rapidly reproducing our successful experiences of business development.

III. Explanation of cash flow

- (I) Explanation of changes in cash flow in the recent year and improvement project for any lack of liquidity

Unit: in NT\$1,000's

Cash and cash equivalents at beginning of year	Net cash flow from operating activities throughout the year	Net cash inflow (outflow) from investment and financing activities for the year	Cash balance (Deficit) Amount	Remedial measures for cash deficiency	
				Investment plans	Financial plan
1,308,469	1,226,695	(76,482)	2,458,409	—	—
<p>1. Analysis of cash flow changes this year:</p> <p>(1) Operating activities: mainly due to the effect of the epidemic, the demand for epidemic prevention commodities increased greatly, the sales performance increased significantly, and the overall profit was improved, resulting in the increase in net cash inflow from operating activities.</p> <p>(2) Investment activities: mainly due to the increase of capital expenditure caused by the expansion of store operation in the current year.</p> <p>(3) Financing activities: The financing activities in the current year are net cash inflows, mainly due to the issuance of convertible corporate bonds to enrich working capital in the current period.</p> <p>2. Remedial measures and liquidity analysis of insufficient cash: Not applicable.</p>					

- (II) Cash liquidity analysis in the next year

Unit: in NT\$1,000's

Cash and cash equivalents at beginning of year (Note)	Projected net cash flow from operating activities for the year	Projected cash outflow for the year	Expected Cash Balance (Deficit) Amount	Expected remedial measures for cash deficiency	
				Investment plans	Financial plan
2,458,409	938,640	(789,522)	2,607,527	—	—
<p>1. Analysis of cash flow changes in the next year</p> <p>Operating Activities: the net cash inflow was about NT\$938,640 thousand, mainly due to the Company's continuous establishment of franchise drug bureaus, and the increase in cash inflow caused by the profit of the existing drug store.</p> <p>Investment activities: net cash outflow from investing activities for the year will be approximately NT\$367,000 thousand, mostly attributable to the set up of new franchise pharmacies, leading to increase expenditure related to leasehold improvements.</p> <p>Financing activities: the annual net cash outflow from financing activities was about NT\$422,522 thousand, mainly due to the payment of dividends.</p> <p>2. Remedial measures and liquidity analysis of expected insufficient cash: Not Applicable.</p>					

Note: the beginning cash balance is the consolidated financial report audited and certified by a CPA in 2022.

IV. Impact of Major Capital Expenditures on Corporate Finance and Business for the Most Recent Year: None.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year

(I) Reinvestment policy of the recent fiscal year:

The Company has established "Procedures for Acquisition and Disposal of Assets" pursuant to the competent authority's rules, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" as the reference for the Company's long-term investment. When investment is needed to pursue for operational growth, the investment unit will collect and coordinate information including future outlook, market status and evaluate accordingly. In addition, the Company has also established "Subsidiary Supervision and Management Procedures" and "Transaction Procedures for Related Parties, Specific Companies, and Group Enterprises" to enhance supervision and management over reinvestments. These procedures stipulate relevant standards on the information disclosure, finance, business, inventory, and financial management of reinvestments, and conduct audit procedures either periodically or from time to time.

(II) Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the projects for improving profitability, and investment projects for the coming year:

December 31, 2022 unit: NT\$1000

Reinvestment business	Shareholding ratio	Investment income or loss listed in 2022	Major operations	Main reasons for income or loss	Improve ment plan	Investment plan for the next year
Ivy Biotechnology Co., Ltd.	100.00%	87,479	Develop health supplement products	Continue to invest in new product R&D	None	None
Bai-Lin Logistics Co., Ltd.	100.00%	5,420	Product packaging and warehousing	Normal operations	None	None
Great Tree Pets Co., Ltd.	100.00%	(21,941)	The wholesale and retail business of pet goods	At the initial stage of establishment, it is mainly the administrative and operating expenses and the capital expenditure of the exhibition	Note	Note
GREAT TREE INTERNATIONAL SDN. BHD.	75.00%	(236)	Wholesale and retail business	Initial	Note 1	Note 1
Da Yu Property Management Co., Ltd.	60.00%	767	Building development	Normal operations	None	None

Note: Since its establishment in April 2021, Great Tree Pets Co., Ltd., a subsidiary of the company,

has opened 5 stores. It is expected to carry out six stores in the next year. Therefore, to enrich the working capital of the subsidiary, the board of directors of the company decided to participate in the cash capital increase of Great Tree Pets Co., Ltd. on February 23, 2023, and it is expected to raise NT\$60,000 thousand.

Note: On May 12, 2022, the Board of Directors resolved to invest NT\$10,256 thousand in GREAT TREE INTERNATIONAL SDN BHD. for the purpose of developing overseas business.

VI. Risk Management Analysis and Evaluation in the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report:

(I) Risk management policy and organizational structure

Organizational structure of the Company's risk management:

1. Risk management executive unit: the company's department heads and Audit Office.
2. Risk Management Unit: Board of Directors of the Company.
3. Risk management policy:
 - (1) If there is any risk management issue, it shall be immediately reported to the immediate superior, the Audit Office, the General Manager, the Chairman and the Company's Board of Directors or the Audit Committee.
 - (2) The General Manager's Office is in charge of pre-assessment of the risks associated with strategic operations, and follow-up on operational performance after the event, so that the Company's strategies can be aligned with our vision and achieve our operating objective.
 - (3) The Company has established an "Internal control system" "Implementation Details of Internal Control" and "Self-evaluation Procedures for Internal Control System," and carries out risk control in practice through each procedure. Moreover, managers of each department rigorously monitor relevant risks and the Audit Office continuously controls and verifies the aforementioned risk items through risk evaluation. In case material violation is found or if the Company may incur material losses, a report will be immediately prepared for review and each Supervisor be notified. In addition, a Board meeting may be called immediately.

(II) Effect upon the company's income/(losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

Item	2022		2021	
	Amount	Ratio on operating revenue (%)	Amount	Ratio on operating revenue (%)
Interest income	4,323	0.03	737	0.01
Interest expense	45,848	0.31	35,130	0.31
Exchange gains (losses)	12,542	0.09	(1,856)	(0.02)

1. Effect of interest rate changes on the company's income/(loss) and future countermeasures

The interest income of the company and its subsidiaries in 2022 and 2021 was NT\$4,323 thousand and NT\$737 thousand respectively, accounting for 0.03% and 0.01% of the operating income respectively; the interest expense is NT\$45,848 thousand and NT\$35,130 thousand respectively, both accounting for 0.31% of the operating income. The interest expense and interest income in 2022 and 2021 account for a very low proportion of the operating income, it will not have a significant effect on the company's operation due to the change in interest rate.

The Company's application of capital is conservative and prudent, and idle funds are mostly deposited into the demand deposit and fixed deposit in banks. These are products with relatively stable market interest rates, and in the future, the Company will continue to observe and respond to movements in interest rate accordingly, evaluate the capital stature and reduce any impacts from fluctuations in interest rates.

2. Effect of exchange rate changes on the company's income/(loss) and future countermeasures

The exchange gains (losses) of the company and its subsidiaries in 2022 and 2021 were NT\$12,542 thousand and NT\$(1,856) thousand respectively, accounting for 0.09% and (0.02) % of the operating revenue respectively, which is very low. Moreover, the company operates a chain pharmaceutical Bureau in Taiwan, and the purchase and sales are quoted in New Taiwan dollars. Therefore, the change in the exchange rate has no significant effect on the company.

3. Effect of inflation on the company's income/(loss) and future countermeasures

According to the Consumer Price Index of the Main Accounting Office of the Executive Yuan for the month of December 2022, the consumer price index was 107.40, which was 2.71% compared with the same period last year, and the annual price increase of 2022 was 2.95%, a new high in 14 years. However, based on the examination of the index categories, the main reason was that the transportation and communication categories were affected by the high international oil prices, which only increased by 1.41% compared with the same period last year. The price index was relatively stable, so it did not have a significant impact on the profit of the Company, and the Company paid attention to market price fluctuations and maintained a good interaction relationship with suppliers. Therefore, there has been no significant impact on profit and loss due to inflation.

(III) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profit/losses generated thereby; and response measures to be taken in the future

1. The company's policy regarding high-risk investments, highly leveraged investments; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

The Company is dedicated to management of its core business and does not make high risk, highly leveraged investments

2. The company's policy regarding capital lending to others, endorsement, and guarantee, and derivative trading; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

In the most recent year and up to the date of publication of this Annual Report, the Company has not loaned funds to others, made endorsements or guarantees, or undertaken derivative trading. Based on considerations of operational risk, the Company has already reported to the Board of Directors and approved the motion not to loan funds to others or to make endorsements or guarantees. If the Company plans to loan funds to others, make endorsements or guarantees or to undertake derivative trading in the future, relevant procedures will be carried out in accordance with the Company's "Procedures for Loaning of Funds", "Procedures for Providing Endorsements/Guarantees", and "Procedures for Acquisition and Disposal of Assets."

(IV) Future R & D projects and estimated R & D expense

The Company is a professional medical and health care products chain channel operator for maternity and baby products, NHI prescription drugs, health supplements and health care products and has not established a R&D department and does not incur relevant R&D fees. Nevertheless, should needs for R&D arise due to business development in the future, the Company will hold a prudent attitude in considering whether R&D will bring synergistic effects to the Company to ensure the actual protection of shareholders' interests.

(V) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

While carrying out each of the Company's business, the Company is in compliance with relevant domestic and overseas laws and monitors domestic and international policy developments and changes in legal environment at all times. We collect and provide relevant information to the management level to aid in their decision-making process to fully seize changes in the market environment. In the most recent year and

as of the date of publication of this Annual Report, the Company's finances and business have not been impacted by changes in domestic and overseas policies and laws.

- (VI) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

The advancement of biotechnology enables health care and health products to be more accepted by the general public with more affordable prices. This is an important area for the Company's market development efforts. The Company is focused on continued introduction of information technology. Besides improving inventory turnover and effectively reducing operating costs, it can also enhance the management level's timely and effective decision-making and judgment and increase the Company's competitiveness.

- (VII) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response

The Company has always been committed to maintaining a positive corporate image and sees needs of consumers as the primary considerations. The Company provides innovative services including free repair for electronic products and condition-less return of products within 10 days, fulfilling the Company's brand positioning of "a pharmacy you can trust" and frequently receives praises from customers, and also benefiting the Company's image. In the most recent year and up to the date of publication of this Annual Report, the Company's crisis management was not impacted by any changes to corporate image.

- (VIII) Expected benefits and possible risks of M & A and measures to be taken in response

The Company does not plan to merge with other companies. Should such plans arise in the future, the Company will maintain a prudent attitude in making relevant evaluations and fully consider the synergies from the merger to ensure protection of shareholders' interests.

- (IX) Expected benefits and possible risks of plant expansion and measures to be taken in response

The Company is a professional medical and health care products chain channel operator for maternity and infant products, NHI prescription drugs, health supplements and health care products and is focused on expanding franchise pharmacies and product sales. The Company does not have manufacturing and does not plan to build plants. The Company plans to establish new franchise stores under a prudent attitude, fully considers whether new stores can bring synergies to the Company to ensure shareholders' interests and rights in practice.

- (X) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

The Company is a professional medical and health care products chain channel operator for maternity and infant products, NHI prescription drugs, health supplements and health care products, and sources of product purchasing are dispersed throughout Taiwan and does not have consolidated purchasing. Moreover, most suppliers are well-known brands both in Taiwan and abroad and have all partnered with the Company for many years. Therefore, there are no risks resulting from purchasing concentration. Moreover, the Company sells to the general public and has no sales concentration.

- (XI) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken

Company Directors, Supervisors, or shareholders holding more than 10% of the Company shares did not have major equity transfer or replacement of shares in the most recent year and up to the date of publication of the Annual Report.

- (XII) Effect upon and risk to company associated with change of management right on the company, and mitigation measures being or to be taken

In the most recent year and up to the date of publication of the Annual Report, the Company did not have changes in governance rights.

- (XIII) For litigious or non-litigious incidents, please specify the material litigations that have been ruled or are in the process, non-litigious or administrative disputes for the Company and its Directors, Supervisors, general manager, the substantial person in charge, major shareholders holding 10% or more of shares and affiliates, and possible material impacts on the shareholders' rights or prices of securities: None.

- (XIV) Other important risks and countermeasures: the Company pays attention to information security, through information encryption, software and hardware firewall settings, and designates information personnel to regularly manage and monitor the effectiveness of the firewall, so as to ensure that the internal computer is not subject to external invasion and normal operation. The audit business report shall regularly report the information security inspection content to the Board of Directors in accordance with the audit plan, and relevant users and information managers shall receive information security education and training and advocacy regularly to enhance the awareness of information security.

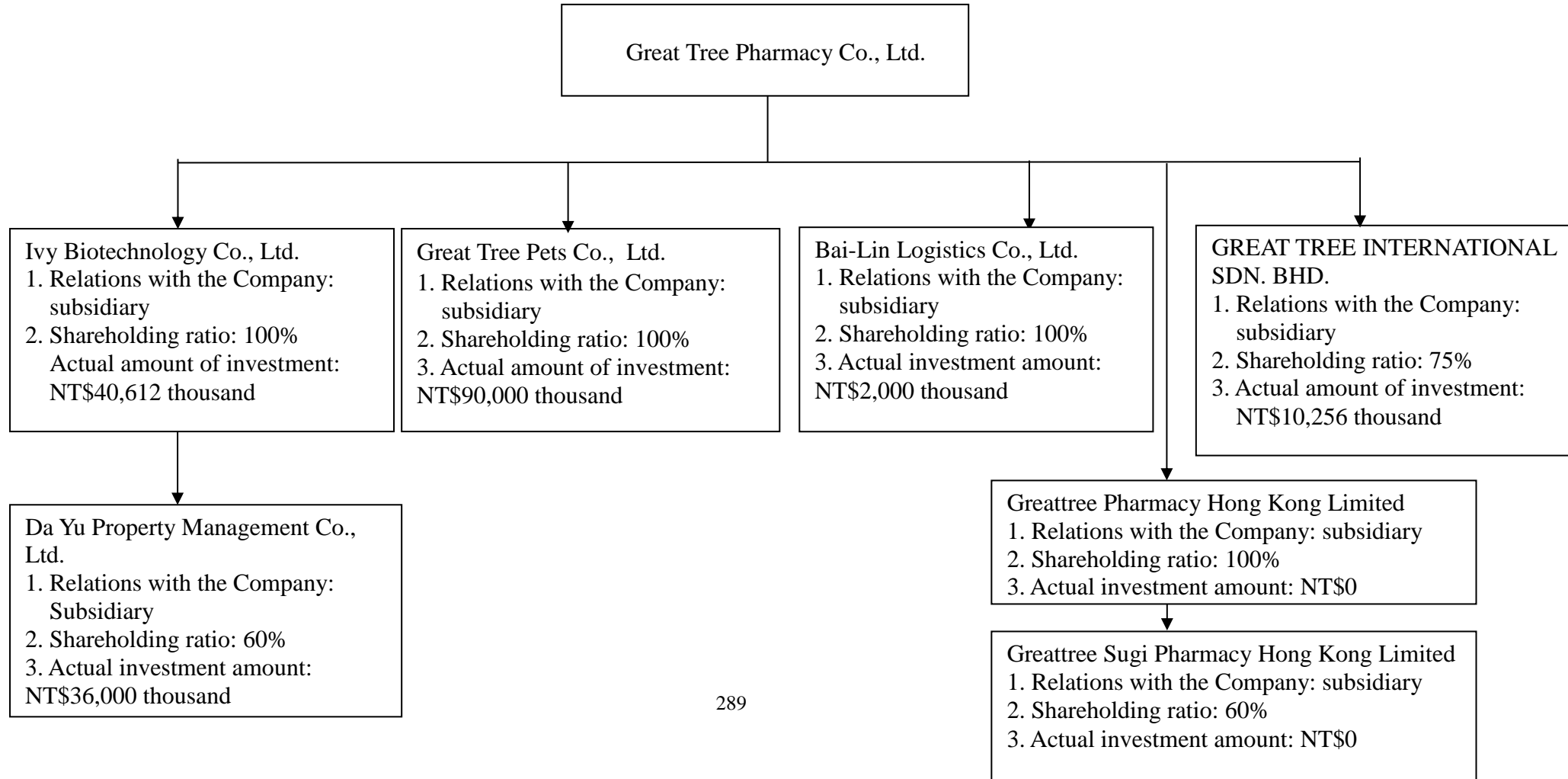
VII. Other Important Matters: None.

Chapter 8 Special Notes

I. Information on affiliated companies

(I) Overview of affiliated companies:

1. The organizational structure of affiliated companies:



2. Basic information on each affiliate

Unit: in NT\$1,000's/RM1,000

Name of business	Date of incorporation (Republic of China)	Address	Paid-in capital	Major business or production	Remark
Ivy Biotechnology Co., Ltd.	2007.6.27	No.145, Chengzhang 4th Street, Zhongli District, Taoyuan City	\$59,000	Wholesale and retail of various drugs and health foods	
Bai-Lin Logistics Co., Ltd.	2016.11.29	No.1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City.	2,000	Wholesale and retail business, packaging and warehousing	
Da Yu Property Management Co., Ltd.	2017.05.11	No.143, Chengzhang 4th Street, Zhongli District, Taoyuan City.	90,000	Real estate sales and lease	
Great Tree Pets Co., Ltd.	2021.04.14	No.143, Chengzhang 4th Street, Zhongli District, Taoyuan City.	30,000	Wholesale and retail business	
GREAT TREE INTERNATIONAL SDN. BHD.	2022.08.12	NO. 5-2, JALAN PUTERI 2/6 BANDAR PUTERI 47100 PUCHONG SELANGOR MALAYSIA	RM2,000	Wholesale and retail business	

3. Presumptive control and affiliation under Article 369-3 of the Company Act: None.

4. Sectors covered by the business operations of affiliates: Detailed "basic information on each affiliates" mentioned above.

5. Information of directors, supervisors, and general managers of affiliated companies:

Name of business	Title	Name	Representative	Shares Held	Shareholding ratio (%)	Remark
Ivy Biotechnology Co., Ltd.	Chairman	Great Tree Pharmacy Co., Ltd.	Feng-Sheng Huang	5,900,000	100.00	
Bai-Lin Logistics Co., Ltd.	Chairman	Great Tree Pharmacy Co., Ltd.	Shi-Wei Ye	200,000	100.00	
Da Yu Property Management Co., Ltd.	Chairman Director Director Supervisors	Ivy Biotechnology Co., Ltd. Ivy Biotechnology Co., Ltd. Hsiu Yu Investment Co., Ltd. Wu Shu Yi	Cheng Ming Lung Sung Chao Feng Wu Cheng Yu	3,600,000	60.00	
Great Tree Pets Co., Ltd.	Chairman Director Director Supervisors	Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd.	Lu Shan Feng Shi-Wei Ye Feng-Sheng Huang Da-Hong Cheng	9,000,000	100.00	
GREAT TREE INTERNATIONAL SDN. BHD.	Director Director Director	Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. KOH CHIH SENG	Lu Shan Feng Cai Xiang You	1,500,000	75.00	

6. Operation overview of affiliated companies:

Unit: in NT\$1,000's

Code of each affiliate	Name of business	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income or loss	Profit or loss for the current period (after tax)	Earnings (loss) per share (after tax)
64690001	Ivy Biotechnology Co., Ltd.	59,000	349,257	145,861	203,396	609,402	131,450	114,182	19.35
64690002	Bai-Lin Logistics Co., Ltd.	2,000	528,578	520,197	8,381	3,752,717	6,911	5,420	27.10
64690003	Da Yu Property Management Co., Ltd.	60,000	97,344	44,501	52,843	9,107	1,783	1,278	0.21
64690004	Great Tree Pets Co., Ltd.	90,000	254,769	192,603	62,166	82,381	(28,358)	(21,941)	(2.44)
64690005	GREAT TREE INTERNATIONAL SDN. BHD.	13,674	14,054	968	13,086	884	(328)	(315)	(0.16)

Note: The aforementioned financial information is filled from Individual Statements that have adopted IFRS.

(II) The consolidated financial statements of affiliated companies: pp. 124-204 in details.

(III) Relations report: Not applicable.

II. In the recent year and up to the date of publication of the Annual Report, the processing of private offering of marketable securities and utilization of funds from a private offering of securities and relevant implementation status:

Private placement securities information

Item	2022 first domestic private placement of unsecured convertible corporate bonds (note 1) Issue Date: September 29, 2022
Types of private placement securities (Note 2)	Domestic unsecured convertible corporate bonds
Date and amount of shareholders' meeting approval (Note 3)	common stock does not exceed 2 million shares within the quota in May 31, 2022
The basis and reasonableness of the private placement pricing	According to the resolution of the company's regular meeting of shareholders on May 31, 2022, the basis for determination is not less than 80% of the theoretical value, and September 6, 2022 is the conversion price pricing date. The conversion price is NT\$270.5 per share.
Ways to choose specific persons (Note 4)	The private placement of domestic convertible corporate bonds shall be limited to specific persons in compliance with the provisions of Article 43-6 of the Securities and Exchange Act and Order No. 0910003455 of the Financial Regulatory Commission of June 13, 2002 (91). The Company's board of directors is Sugi Holdings Co., Ltd. in September 06, 2022.
The reasons for the necessity of offering private placement	Considering the conditions of the capital market, the timeliness and feasibility of raising capital, the cost of issuance and the actual needs of introducing strategic investors, the private placement of securities is subject to the three-year non-free transfer requirement, which can ensure that the Company and the strategic investors have a long-term cooperative relationship.

Item	2022 first domestic private placement of unsecured convertible corporate bonds (note 1)					
	Issue Date: September 29, 2022					
Candidate Information	Private placement objects (Note 5)	Eligibility criteria (Note 6)	Subscription Amount (NT\$)	Public offering shareholding weight %	Shareholding in private placement %	Relationship with the Company
		Sugi Holdings Co., Ltd.	Compliance with Paragraph 2 of Item 1 of Article 43-6 of the Securities and Exchange Act	220,000,000	0%	100%
Actual subscription (or conversion) price (Note 7)	NT\$270.5					
Differences between actual subscription (or conversion) price and reference price (Note 7)	90%					
The impact of private placement on shareholders' rights and interests	The amount of private placement accounted for about 0.9% of the paid-in capital, and there was no significant damage to shareholders' equity.					
Use of Private Funds and Plan Implementation Progress	The first domestic private placement of unsecured convertible corporate bonds was completed in September 2022 with the proceeds of NT\$220,000 thousand. The bonds were fully used to enrich working capital, expand channels, increase market share and strengthen the financial structure of the Company in the fourth quarter of 2022.					
Benefits of private placements	Used to enrich working capital, expand access, increase market share and strengthen the financial structure of the Company.					

- Note 1: The number of columns should be adjusted depending on the actual number of transactions. If there are privately placed securities that are handled in batches, they should be listed separately.
- Note 2: The series includes ordinary shares, special shares, converted special shares, special shares with warrants, common corporate bonds, convertible corporate bonds, corporate bonds with warrants, overseas convertible corporate bonds, overseas depository receipts and employee stock warrants and other types of security.
- Note 3: Any person who is a private company bond and does not need to be approved by the shareholders' meeting shall enter the date and amount of the approval by the board of directors.
- Note 4: For a private placement case, if the applicant has been settled, the name of the applicant and the relationship with the company shall be listed.
- Note 5: The number of columns is adjusted according to the actual number.
- Note 6: Fill in Subparagraph 1, Subparagraph 2, or Subparagraph 3 of Paragraph 1, Article 43-6 of the Securities and Exchange Act.
- Note 7: The actual subscription (or conversion) price refers to the subscription (or conversion) price determined when the private placement of securities is actually issued.

III. Holding or Disposal of the Company's Shares by the Subsidiaries in the Most Recent Year Up to the Date of Publication of This Annual Report: None.

IV. Other necessary supplementary notes:

The Company has promised to add "in case the Company directly or indirectly forfeits capital increase to Ivy Biotech over the years in the future, or directly or indirectly disposes of its shares held in Ivy Biotech, leading the Company to lose substantial control over Ivy Biotech, a special resolution needs to be approved by the Company's Board of Directors in a meeting attended by all Independent Directors who should have expressed opinions" in the "Procedures for Acquisition and Disposal of Assets." The content of the aforementioned resolution and subsequent amendment of the Regulations shall be uploaded to the MOPS as material information to be disclosed and submitted to the Taipei Exchange in writing.

The Company has also issued a statement and amended its "Procedures for Acquisition and Disposal of Assets" on June 29, 2016 upon approval from the Shareholders' Meeting. The Company's Board meeting on December 21, 2018 has approved of the participation in cash capital increase from Ivy Biotech, and expects to issue 3,300,000 new shares with the par value of NT\$10 and expects to raise NT\$33 million. Registration of Ivy Biotech has been approved by the Taoyuan City Government on January 19, 2019, and paid-in capital after the current issuance will be NT\$59 million. The subsidiary will continue to be 100% owned by the Company with the same shareholding status. As of the date of publication of the Annual Report, the promise has not been violated.

V. Events of considerable impact on shareholders' equity or on prices of securities as specified in Sub-paragraph 2, Paragraph 3 of Article 36 of the Securities and Exchange Act: None.