

TWSE Stock code:
6469

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Financial Statements with Independent Auditors'
Review Report

For the Three Months Ended March 31, 2021 and 2020

Company address: No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City
Company Phone: (03) 433-3123

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Review Report

To Great Tree Pharmacy Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Great Tree Pharmacy Co., Ltd. (the “Company”) and its subsidiaries as of March 31, 2021 and March 31, 2020, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months ended March 31, 2021 and March 31, 2020, as well as Notes to the Consolidated Financial Statements, including the Summary of Significant Accounting Policies (together “the Consolidated Financial Statements”). The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Since the scope of a review is substantially less than that of an audit, we may not be fully aware of all material matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of March 31, 2021 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2021 and March 31, 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

May 13, 2021

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2021, December 31, 2020, and March 31, 2020

(March 31, 2021 and March 31, 2020 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards)

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Asset		March 31, 2021		December 31, 2020		March 31, 2020	
	Accounting Item	Note	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6. 1	\$783,459	13	\$835,802	14	\$613,415	11
1136	Financial assets measured at amortized cost	6. 2, and 8	24,000	-	24,000	1	24,000	-
1150	Net notes receivable	6. 3	2,543	-	4,517	-	8,291	-
1170	Net accounts receivable	6. 4	376,162	6	311,114	5	402,700	8
1200	Other receivables		36,327	1	71,025	1	84,384	2
1220	Income tax asset for the period		45	-	-	-	37	-
1300	Inventory	6. 5	1,558,215	25	1,462,245	24	1,439,718	27
1410	Prepayments		41,961	1	34,258	1	43,060	1
1470	Other current assets		3,641	-	3,457	-	5,435	-
	Total current assets		2,826,353	46	2,746,418	46	2,621,040	49
15xx	Non-current assets							
1535	Financial assets measured at amortized cost	6. 2, and 8	3,000	-	3,000	-	3,000	-
1600	Property, plant and equipment	6. 6	699,659	11	669,788	11	609,882	12
1755	Right-of-use assets	6. 17	2,492,727	41	2,487,538	41	2,012,809	38
1780	Intangible assets	6. 7	17,203	-	18,018	-	18,263	-
1840	Deferred income tax assets	4 and 6. 20	11,355	-	7,742	-	5,266	-
1900	Other non-current assets	6. 8	80,096	2	76,918	2	67,456	1
	Total non-current assets		3,304,040	54	3,263,004	54	2,716,676	51
1xxx	Total assets		\$6,130,393	100	\$6,009,422	100	\$5,337,716	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 March 31, 2021, December 31, 2020, and March 31, 2020

(March 31, 2021 and March 31, 2020 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards)

(Amounts expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			March 31, 2021		December 31, 2020		March 31, 2020	
Code	Accounting Item	Note	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term loans	6. 9	\$370,000	6	\$370,000	6	\$370,000	7
2130	Contract liabilities	6. 15	9,931	-	8,104	-	8,096	-
2150	Bills payable		298,359	5	350,323	6	347,386	6
2170	Accounts payable		902,778	15	819,673	13	835,854	16
2200	Other payables	6. 10	191,599	3	228,757	4	134,053	2
2230	Tax liabilities for this period	4 and 6. 20	57,685	1	35,791	1	37,142	1
2280	Lease liabilities	6. 17	290,309	5	287,118	5	242,915	5
2300	Other current liabilities		40,260	1	23,510	-	43,452	1
2321	Corporate bonds that mature or execute the right to sell back within one year or one operating cycle	6. 11	30,206	-	40,583	1	162,955	3
	Total current liabilities		2,191,127	36	2,163,859	36	2,181,853	41
25xx	Non-current liabilities							
2580	Lease liabilities	6. 17	2,287,142	37	2,282,404	38	1,833,734	34
2640	Net defined benefit liabilities	6. 12	3,425	-	3,425	-	4,795	-
2645	Guarantee deposits		45,135	1	40,189	1	27,369	1
	Total non-current liabilities		2,335,702	38	2,326,018	39	1,865,898	35
2xxx	Total liabilities		4,526,829	74	4,489,877	75	4,047,751	76
31xx	Equity attributable to shareholders of parent company							
3100	Share Capital	6. 13						
3110	Ordinary share capital		533,446	9	530,659	9	432,271	8
3140	Prepaid share capital		1,791	-	2,787	-	3,175	-
3200	Capital surplus	6. 13	668,802	11	658,506	11	553,289	11
3300	Retained earnings	6. 13						
3310	Legal capital reserve		73,419	1	73,419	1	59,821	1
3350	Unappropriated earnings		305,701	5	233,891	4	219,819	4
36xx	Non-controlling interests	6. 13	20,405	-	20,283	-	21,590	-
3xxx	Total equity		1,603,564	26	1,519,545	25	1,289,965	24
	Total liabilities and equity		\$6,130,393	100	\$6,009,422	100	\$5,337,716	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 Three Months Ended March 31, 2021 and 2020

(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)

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

Code	Item	Note	For the three months ended March 31, 2021		For the three months ended March 31, 2020	
			Amount	%	Amount	%
4000	Operating revenue	6. 15	\$2,481,879	100	\$2,015,073	100
5000	Operating costs		(1,838,211)	(74)	(1,518,764)	(75)
5900	Gross profit		643,668	26	496,309	25
6000	Operating expenses					
6100	Selling and marketing expenses		(486,586)	(20)	(371,997)	(18)
6200	General and administrative expenses		(78,930)	(3)	(70,781)	(4)
	Total operating expenses		(565,516)	(23)	(442,778)	(22)
6900	Operating profit		78,152	3	53,531	3
7000	Non-operating income and expenses					
7100	Interest income	6. 19	168	-	98	-
7010	Other income	6. 19	17,844	1	11,376	-
7020	Other gains and losses	6. 19	2,504	-	(178)	-
7050	Financing costs	6. 19	(8,455)	-	(7,185)	-
	Total non-operating income and expenses		12,061	1	4,111	-
7900	Profit before tax		90,213	4	57,642	3
7950	Income tax expenses	4 and 6. 20	(18,281)	(1)	(11,908)	(1)
8200	Net income		71,932	3	45,734	2
8300	Other comprehensive income (loss)		-	-	-	-
8500	Total comprehensive income (loss)		\$71,932	3	\$45,734	2
8600	Net income attributable to:					
8610	Stockholders of the parent		\$71,810	3	\$46,071	2
8620	Non-controlling interests		122	-	(337)	-
			\$71,932	3	\$45,734	2
8700	Total Comprehensive Income Attributable to:					
8710	Stockholders of the parent		\$71,810	3	\$46,071	2
8720	Non-controlling interests		122	-	(337)	-
			\$71,932	3	\$45,734	2
9750	Basic EPS (NT\$)	6. 21	\$1.34		\$0.92	
9850	Diluted EPS (NT\$)	6. 21	\$1.30		\$0.89	

(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 Changes in Equity

For the Three Months Ended March 31, 2021 and 2020

(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	Equity attributable to shareholders of parent company					Total	Non-controlling interests	Total equity
		Share Capital	Prepaid share capital	Capital surplus	Retained earnings				
					Legal capital reserve	Unappropriated earnings			
		3100	3140	3200	3310	3350	31XX	36XX	3XXX
A1	Balance as of January 1, 2020	\$425,820	\$6,451	\$534,710	\$59,821	\$173,748	\$1,200,550	\$21,927	\$1,222,477
D1	Net income (loss) for the three months ended March 31, 2020					46,071	46,071	(337)	45,734
D3	Other comprehensive income (loss) for the three months ended March 31, 2020						-	-	-
D5	Total comprehensive income (loss)	-	-	-	-	46,071	46,071	(337)	45,734
I1	Convertible corporate bond conversion	6,451	(3,276)	18,379			21,554		21,554
N1	Share-based payment transactions			200			200		200
Z1	Balance as of March 31, 2020	\$432,271	\$3,175	\$553,289	\$59,821	\$219,819	\$1,268,375	\$21,590	\$1,289,965
Z1	Balance as of January 1, 2021	\$530,659	\$2,787	\$658,506	\$73,419	\$233,891	\$1,499,262	\$20,283	\$1,519,545
D1	Net income for the three months ended March 31, 2021					71,810	71,810	122	71,932
D3	Other comprehensive income (loss) for the three months ended March 31, 2021						-	-	-
D5	Total comprehensive income (loss)	-	-	-	-	71,810	71,810	122	71,932
I1	Convertible corporate bond conversion	2,787	(996)	8,749			10,540		10,540
N1	Share-based payment transactions			1,547			1,547		1,547
Z1	Balance as of March 31, 2021	\$533,446	\$1,791	\$668,802	\$73,419	\$305,701	\$1,583,159	\$20,405	\$1,603,564

(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 Three Months Ended March 31, 2021 and 2020

(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	For the three months ended March 31, 2021	For the three months ended March 31, 2020	Code	Item	For the three months ended March 31, 2021	For the three months ended March 31, 2020
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for this period	\$90,213	\$57,642	B02700	Acquisition of property, plant and equipment	(71,701)	(81,246)
A20000	Adjustment items:			B02800	Disposal of property, plant and equipment	3,286	-
A20010	Adjustments:			B03700	(Increase) decrease in refundable deposits	(3,263)	(3,247)
A20100	Depreciation expense (including right-of-use assets)	115,870	96,237	B04500	Acquisition of intangible assets	(34)	(162)
A20200	Amortization expenses	849	2,574	BBBB	Net cash inflow (outflow) from investing activities	(71,712)	(84,655)
A20900	Interest expenses	8,455	7,185				
A21200	Interest income	(168)	(98)	CCCC	Cash flow from financing activities:		
A21900	Cost of share-based payments	1,547	200	C00100	Increase (decrease) of short-term loans	-	370,000
A22500	Loss on disposal of property, plant and equipment	(101)	-	C03000	Increase (decrease) in guarantee deposits received	4,946	1,354
A29900	Other item - gain on lease modification	(2,610)	-	C04020	Repayment of principal on loan	(78,280)	(66,533)
A30000	Changes in assets/liabilities related to operating activities:			CCCC	Net cash inflow (outflow) from financing activities	(73,334)	304,821
A31130	(Increase) decrease in notes receivable	1,974	(5,045)	EEEE	Net increase (decrease) in cash and cash equivalents for this period	(52,343)	305,292
A31150	(Increase) decrease in accounts receivable	(65,048)	(61,714)	E00100	Beginning balance of cash and cash equivalents	835,802	308,123
A31180	(Increase) decrease in other receivables	34,698	17,500	E00200	Ending balance of cash and cash equivalents	\$783,459	\$613,415
A31200	(Increase) decrease in inventory, net	(95,970)	(279,453)				
A31230	(Increase) decrease in prepayments	(7,703)	(2,945)				
A31240	(Increase) decrease in other current assets	(184)	(884)				
A32125	(Increase) decrease in contract assets	1,827	1,043				
A32130	Increase (decrease) in bills payables	(51,964)	66,792				
A32150	Increase (decrease) in accounts payable	83,105	146,023				
A32180	Increases (decreases) in other payables	(38,057)	10,570				
A32230	Increases (decreases) in other current liabilities	16,750	29,526				
A33000	Cash inflow (outflow) from operating activities	93,483	85,153				
A33100	Interest received	168	98				
A33300	Interest paid	(903)	(125)				
A33500	Income tax paid	(45)	-				
AAAA	Net cash inflow (outflow) from operating activities	92,703	85,126				

(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

For the Three Months Ended March 31, 2021 and 2020

(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)

(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 the management and trade of various medicines, 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 consolidated financial statements for the three months ended March 31, 2021 and 2020 of the Company and its subsidiaries (hereinafter referred to as "the Group") have been approved and announced by the Board of Directors on May 13, 2021.

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, 2021. The first-time application has had no significant impact on the Group.

- b. The Group 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	Covid-19 - Related Rent Concessions After June 30, 2021 (amendment to IFRS 16)	April 1, 2021

- 1) Covid-19 – Related Rent Concessions After June 30, 2021 (amendment to IFRS 16)

This amendment extends the duration of practical expedient in Section 46A of IFRS 16 "Leases" for one year. The Group evaluates that the amendments which are to be adopted in the fiscal year starting April 1, 2021 have no significant impact on the Group.

- c. 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) 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, 2023
4	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
5	Disclosure Initiative - Accounting Policies (amendment to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (amendment to IAS 8)	January 1, 2023

- 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 June 2020. 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).

- 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 a liability as either current or non-current.

- 4) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37, and the Annual Improvements

a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

This amendment replaces the old version of the index on the Conceptual Framework for Financial Reporting and updates IFRS No. 3 with the latest version of the index published in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. In addition, the amendments also clarify existing guidelines for contingent assets that are not affected by the replacement structure index.

b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss.

c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

d) Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent company in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 modifies the treatment of lease incentives relating to the lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value

thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

e) (5) 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.

f) 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.

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 consolidated financial reports for the period of January 1 to March 31, 2021 and 2020 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and "IAS 34 - Interim Financial Reporting" approved and issued by the FSC.

Except for the following descriptions in 4.4 ~ 4.5, the consolidated financial statements for the three months ended March 31, 2021 and 2020 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2020. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2020 for details.

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

The consolidated financial statements adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2020. Please refer to Note 4.3 of the consolidated financial statements for the year ended December 31, 2020 for details.

The consolidated entities are listed as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%)			Explanation
			2021.03.31	2020.12.31	2020.03.31	
The Company	Ivy Biotechnology Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Bai-Lin Logistics Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Buy/sell transactions and lease of real property	60%	60%	60%	None

d. Retirement pension plan

The pension cost for the interim period is calculated based on the pension cost ratio determined by the actuarial calculation at the end of the previous year. The calculation term is from the beginning to the end of the period, and adjustments and disclosure will be made for post-period major market fluctuations, curtailment, settlement, or other significant one-time matters.

e. Income Tax

The interim income tax expense is accrued and disclosed at the tax rate applicable to the expected total earnings for the current year, meaning that the estimated annual average effective tax rate will be applied to pre-tax income of the interim period. The estimate of the annual average effective tax rate only includes current income tax expenses, while deferred income tax regulations are consistent with the annual financial report and are recognized and measured in accordance with the requirements of IAS 12 "Income Tax." When a change in tax rate occurs in the interim period, the impact of the change in the tax rate on deferred income tax is recognized at one time in profit or loss, other comprehensive income or loss, or directly in equity.

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.

This consolidated financial statements adopted the same primary sources of uncertainties in major accounting judgments, estimates, and assumptions as the ones used in the consolidated financial statements for the year ended December 31, 2020. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2020 for details.

6. Explanations of Significant Accounting Items

a. Cash and cash equivalents

	2021.03.31	2020.12.31	2020.03.31
Cash on hand and petty cash	\$8,151	\$7,709	\$6,547
Cheques and demand deposit	660,758	713,543	591,318
Fixed deposit	114,550	114,550	15,550
Total	<u>\$783,459</u>	<u>\$835,802</u>	<u>\$613,415</u>

b. Financial assets measured at amortized costs

	2021.03.31	2020.12.31	2020.03.31
Restrictive fixed deposit	\$24,000	\$24,000	\$24,000
Fixed deposit	3,000	3,000	3,000
Less: allowance for loss	-	-	-
Total	<u>\$27,000</u>	<u>\$27,000</u>	<u>\$27,000</u>
Current	<u>\$24,000</u>	<u>\$24,000</u>	<u>\$24,000</u>
Non-current	<u>\$3,000</u>	<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.

c. Notes receivable, net

	2021.03.31	2020.12.31	2020.03.31
Notes receivable - from operating activities	\$2,543	\$4,517	\$8,291
Less: allowance for loss	-	-	-
Total	<u>\$2,543</u>	<u>\$4,517</u>	<u>\$8,291</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 6.16 for details, and refer to Note 12 for information on credit risk.

d. Accounts receivable, net

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

	2021.03.31	2020.12.31	2020.03.31
Total accounts receivable	\$376,863	\$311,815	\$403,401
Less: allowance for loss	(701)	(701)	(701)
Net Balance	<u>\$376,162</u>	<u>\$ 311,114</u>	<u>\$402,700</u>

2) The aforementioned accounts receivable has no conditions of endorsement/guarantee.

3) The Group's credit period to customers is 60-120 days. The total carrying amounts were NT\$376,863 thousand, NT\$311,815 thousand, and NT\$403,401 thousand as of March 31, 2021, December 31, 2020, and March 31, 2020, respectively. Please refer to Note 6.16 for information related to allowance for loss for the three months ended March 31, 2021 and 2020. Please refer to Note 12 for information on credit risk.

e. Inventory

1) Net inventory is as follows:

	2021.03.31	2020.12.31	2020.03.31
Work-in-progress	\$1,506	\$542	\$808
Commodity	1,556,709	1,461,703	1,438,910
Total	<u>\$1,588,215</u>	<u>\$ 1,462,245</u>	<u>\$1,439,718</u>

2) The Group recognized the cost of inventories of NT\$1,838,211 thousand and NT\$1,518,764 thousand for the three months ended March 31, 2021 and 2020 as expenses, respectively. These expenses included the following:

Item	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Allowance for inventory valuation and obsolescence loss	\$9,921	\$500
Loss (profit) on physical inventory	(203)	(463)
Inventory scrap loss	1,367	571
Total	<u>\$11,085</u>	<u>\$608</u>

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

f. Property, plant and equipment

	Buildings and construction	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:							
2021.01.01	\$48,583	\$14,338	\$344,607	\$463,629	\$223,882	\$-	\$1,095,039
Acquisition	-	-	7,720	34,368	30,597	-	72,685
Disposal	-	-	(840)	(124)	(2,331)	-	(3,295)
Transfer	-	-	-	-	-	-	-
2021.03.31	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$351,487</u>	<u>\$497,873</u>	<u>\$252,148</u>	<u>\$-</u>	<u>\$1,164,429</u>
2020.01.01	\$-	\$14,688	\$286,954	\$394,433	\$137,695	\$44,815	\$878,585
Acquisition	-	-	29,420	23,714	18,836	95	72,065
Disposal	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
2020.03.31	<u>\$-</u>	<u>\$14,688</u>	<u>\$316,374</u>	<u>\$418,147</u>	<u>\$156,531</u>	<u>\$44,910</u>	<u>\$950,650</u>

Depreciation and impairment:							
2021.01.01	\$790	\$12,931	\$186,504	\$169,634	\$55,392	\$-	\$425,251
Depreciation	790	184	12,138	15,194	11,323	-	39,629
Disposal	-	-	(28)	(4)	(78)	-	(110)
Transfer	-	-	-	-	-	-	-
2021.03.31	<u>\$1,580</u>	<u>\$13,115</u>	<u>\$198,614</u>	<u>\$184,824</u>	<u>\$66,637</u>	<u>\$-</u>	<u>\$464,770</u>
2020.01.01	\$-	\$12,013	\$143,629	\$130,389	\$22,800	\$-	\$308,831
Depreciation	-	612	12,159	12,561	6,605	-	31,937
Disposal	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
2020.03.31	<u>\$-</u>	<u>\$12,625</u>	<u>\$155,788</u>	<u>\$142,950</u>	<u>\$29,405</u>	<u>\$-</u>	<u>\$340,768</u>
Net carrying amount:							
2021.03.31	<u>\$47,003</u>	<u>\$1,223</u>	<u>\$152,873</u>	<u>\$313,049</u>	<u>\$185,511</u>	<u>\$-</u>	<u>\$699,659</u>
2020.12.31	<u>\$47,793</u>	<u>\$1,407</u>	<u>\$158,103</u>	<u>\$293,995</u>	<u>\$168,490</u>	<u>\$-</u>	<u>\$669,788</u>
2020.03.31	<u>\$-</u>	<u>\$2,063</u>	<u>\$160,586</u>	<u>\$275,197</u>	<u>\$127,126</u>	<u>\$44,910</u>	<u>\$609,882</u>

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

g. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2021.01.01	\$8,110	\$14,286	\$22,396
Acquisition - separately acquired	34	-	34
Derecognized at the end of useful life	-	-	-
2021.03.31	<u>\$8,144</u>	<u>\$14,286</u>	<u>\$22,430</u>
2020.01.01	\$12,301	\$14,286	\$26,587
Acquisition - separately acquired	162	-	162
Derecognized at the end of useful life	(2,613)	-	(2,613)
2020.03.31	<u>\$9,850</u>	<u>\$14,286</u>	<u>\$24,136</u>
Amortization and impairment:			
2021.01.01	\$4,378	\$-	\$4,378
Amortization	849	-	849
Impairment loss	-	-	-
Derecognized at the end of useful life	-	-	-
2021.03.31	<u>\$5,227</u>	<u>\$-</u>	<u>\$5,227</u>
2020.01.01	\$5,912	\$-	\$5,912
Amortization	2,574	-	2,574
Impairment loss	-	-	-
Derecognized at the end of useful life	(2,613)	-	(2,613)
2020.03.31	<u>\$5,873</u>	<u>\$-</u>	<u>\$5,873</u>
Net carrying amount:			
2021.03.31	<u>\$2,917</u>	<u>\$14,286</u>	<u>\$17,203</u>
2020.12.31	<u>\$3,732</u>	<u>\$14,286</u>	<u>\$18,018</u>
2020.03.31	<u>\$3,977</u>	<u>\$14,286</u>	<u>\$18,263</u>

Amortization for recognition of intangible assets is as follows:

Item	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Operating expenses	\$849	\$2,574

h. Other non-current assets

	2021.03.31	2020.12.31	2020.03.31
Prepaid equipment	\$105	\$190	\$471
Refundable deposits	79,991	76,728	66,985
Total	<u>\$80,096</u>	<u>\$76,918</u>	<u>\$67,456</u>

i. Short-term loans

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

	Range of interest rates (%)	2021.03.31	2020.12.31	2020.03.31
Unsecured bank loan	0.86%~1.18%	<u>\$370,000</u>	<u>\$370,000</u>	<u>\$370,000</u>

2) As of March 31, 2021, December 31, 2020, and March 31, 2020, the Company's unused short-term loan credits are NT\$101,083 thousand, NT\$101,035 thousand, and NT\$117,613 thousand, respectively.

j. Other payables

	2021.03.31	2020.12.31	2020.03.31
Expenses payable	\$173,495	\$211,552	\$125,158
Equipment payable	18,067	17,168	8,858
Net defined benefit liability - current	37	37	37
Total	<u>\$191,599</u>	<u>\$228,757</u>	<u>\$134,053</u>

k. Bonds payable

1) Details of bonds payable are as follows:

	2021.03.31	2020.12.31	2020.03.31
Elements of liability:			
Nominal amount of domestic convertible bond payable	\$30,300	\$40,900	\$166,600
Less: discount on domestic convertible bond payable	(94)	(317)	(3,645)
Subtotal	<u>30,206</u>	<u>40,583</u>	<u>162,955</u>
Less: portion maturing within 12 months	(30,206)	(40,583)	(162,955)
Net Balance	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
Embedded derivative financial instruments - redemption rights	\$-	\$-	\$-
Equity element - conversion rights	<u>\$1,010</u>	<u>\$1,363</u>	<u>\$5,554</u>

Please refer to Note 6.19 for valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds.

- 2) The Company has issued the first batch of unsecured convertible bonds on June 12, 2018 with the following issuance terms:
- (A) Total issuance: NT\$300,000 thousand
 - (B) Date of issuance: 2018.06.12
 - (C) Issued price: Issuance at par
 - (D) Coupon rate: 0%
 - (E) Duration: June 12, 2018~June 12, 2021
 - (F) Repayment at maturity: Unless the bondholders convert into ordinary shares of the company in accordance with Article 10 of the present Procedures, or exercise the right of selling under Article 19 of the present Procedures, or the Company redeems in advance or exercise redemption at securities firm in accordance with Article 18 of these Procedures, the Company will repay the converted bonds held by bondholders in cash in accordance with the denomination of the bonds when the Company's conversion of bonds expires.
 - (G) Conversion period: Starting from the day after the 3-month period of issuance of this convertible bond (September 13, 2018) to the date due (June 12, 2021), 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, the creditor may at any time request the Company to convert the convertible bond into ordinary shares of the Company in accordance with the provisions of the present Procedure.
 - (H) Conversion price and adjustments: The price of conversion was set at NT\$90.8 per share during issuance. In the event of an adjustment of the conversion price of the Company's ordinary share conversion rights or stock options in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance.
 Due to capital increase in 2018, the Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, as of July 19, 2018, the conversion price was adjusted from NT\$90.8 to NT\$88.9.
 Due to capital increase and surplus transfer in 2018, the Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, as of September 12, 2018, the conversion price was adjusted from NT\$88.9 to NT\$79.8.
 Due to the Company's ratio of cash dividends to ordinary shares issued in 2019 having exceeded 1.5%, the conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures; therefore, from July 30, 2019, the conversion price was adjusted from NT\$79.8 to NT\$78.6.
 Due to capital increase and surplus transfer in 2019, the

Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, from September 1, 2019, the conversion price was adjusted from NT\$78.6 to NT\$69.6.

Due to capital increase and surplus transfer in 2020, the Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, from September 15, 2020, the conversion price was adjusted from NT\$69.6 to NT\$59.2.

(I) The Company's redemption rights:

(I) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to forty days before the expiration of the issuance period (May 3, 2021). 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 in five business days after the bond recovery base date.

(II) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to 40 days before the expiration of the issuance period (May 3, 2021). 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 stated in Article 9.) The bondholder will be based on the bondholder's register on the 5th 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 in 5 business days after the bond recovery base date.

(III) 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 on the maturity date at nominal value.

(J) Puttable rights of bondholders:

The base date for selling the convertible bonds back in advance is the two-year issuance date (June 12, 2020) of the convertible bonds. Forty days before the base date (May 3, 2020) of put option, the Company may send a "puttable right notification" to the bondholder by registered mail. (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "puttable option notification," 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 in five business days after the bond recovery base date. Creditors can reply to the Company's share transfer agency before the bond puttable option date denoted on the "puttable right notification" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), and request the Company to redeem the bonds held in cash by using the bond denomination plus interest compensation (101.0025% of the bond denomination for the two years, or substantial rate of return 0.50%). After accepting the puttable option request, the Company shall redeem the bond in cash within five business days after the puttable option date. If the Taipei Exchange is not in operation, the above date will be postponed to the next business day.

3) For the three months ended March 31, 2021, the declared conversion amount of the Group's first batch of unsecured convertible bonds has reached NT\$10,600 thousand, and 179 thousand shares of ordinary shares have been converted.

As of March 31, 2021, the declared conversion amount of the Company's first batch of unsecured convertible bonds has reached NT\$269,700 thousand, and 4,037 thousand ordinary shares have been

converted.

1. Retirement pension plan

Defined allocation plan

The Group recognized defined allocation expense of NT\$9,458 thousand and NT\$7,524 thousand for the three months ended March 31, 2021 and 2020, respectively.

Defined benefit plan

The expense of the defined benefit plan of the Group for the three months ended March 31, 2021 and 2020 were both NT\$56 thousand.

m. Equity

1) Ordinary Shares

As of March 31, 2021, December 31, 2020, and March 31, 2020, the authorized share capital of the Company was NT\$1,500,000 thousand, NT\$600,000 thousand, and NT\$600,000 thousand; in addition, the issued share capital was NT\$533,446 thousand, NT\$530,659 thousand, and NT\$432,271 thousand, with 53,344 thousand shares, 53,065 thousand shares, and 43,227 thousand shares issued at par value of NT\$10, respectively. Each share has one voting right and the right to receive dividends.

On June 17, 2020, the Company's Annual Shareholders' Meeting has approved the capital increase by reinvestment of a surplus of NT\$78,272 thousand. Upon approval of the Board of Directors on August 12, 2020, September 15, 2020 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT\$520,801 thousand with par value of NT\$10 at 52,080 thousand shares.

The first batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT\$147,800 thousand, for which 2,290 thousand ordinary shares were converted for the year ended December 31, 2020, and the paid-in capital after the increase was NT\$530,659 thousand with par value of NT\$10 at 53,066 thousand shares. For the three months ended March 31, 2021, the first batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT\$10,540 thousand, for which 179 thousand ordinary shares were converted. The base date of increase is still pending for the Board of Directors' approval as of March 31, 2021, and therefore the capital is recognized as prepaid share capital.

2) Capital surplus

	2021.03.31	2020.12.31	2020.03.31
Share premium of ordinary shares	\$660,380	\$651,278	\$542,979
Employee stock options	4,765	3,218	2,109
Stock options	1,010	1,363	5,554
Expired stock options	2,647	2,647	2,647
Total	\$668,802	\$658,506	\$553,289

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 earnings and dividend policy

a) Appropriation of earnings

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.

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 shall appropriate no less than 10% of the aforementioned distributable earnings as dividends for shareholders. However, when the distributable earnings are less than 10% of the paid-in capital, the Company may choose not to distribute dividends.
- 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

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 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.

e) During the Company's Board of Directors' Meeting on March 18, 2021, and Annual Shareholders' Meeting on June 26, 2020, the appropriations of earnings for 2020 and 2019 have been separately proposed and approved with the following details:

	Appropriation of earnings		Dividends per share (NT\$)	
	2020	2019	2020	2019
Legal capital reserve	\$19,550	\$13,598		
Cash dividends for ordinary shares	53,471	43,484	\$1.00	\$1.00
Stock dividends for ordinary shares	160,414	78,272	3.00	1.80
Total	<u>\$233,435</u>	<u>\$135,354</u>		

Please see Note 6.18 for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors.

f) Non-controlling interests

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Beginning balance	\$20,283	\$21,927
Increase in the period	-	-
Net income (loss) attributable to non-controlling interests for the period	122	(337)
Ending balance	<u>\$20,405</u>	<u>\$21,590</u>

n. 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 1,000 units of employee stock options on September 12, 2014. 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 subscribers may exercise the stock options for a certain period and proportion two years after the employee stock options certificate has been granted. The duration of this stock options certificate is five years.

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 subscribers may exercise the stock options for a certain period and proportion two years after the employee stock option certificate has been granted. The duration of this stock option certificate is six 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\$)
2014.10.01	835	\$28.69
2014.11.01	113	\$28.69
2019.12.01	1,879	\$82.60
2020.10.27	2,017	\$86.20

1) The following pricing model and assumptions are used toward the share-based payment plan granted:

	2014	2019	2020
Expected fluctuation rate (%)	23.38%-24.37%	16.56%-24.87%	13.86%-45.03%
Risk-free interest rate (RFR) (%)	1.12%-1.316%	0.552%-0.580%	0.158%-0.203%
Expected year of 100% stock subscription (year)	5	6	6
Weighted-average stock price (NT\$)	40.48	82.60	86.20
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 three months ended March 31, 2021 and 2020:

	For the three months ended March 31, 2021		For the three months ended March 31, 2020	
	Number of outstanding stock options (unit)	Weighted-ave rage execution price (NT\$)	Number of outstanding stock options (unit)	Weighted-ave rage execution price (NT\$)
Outstanding stock options on January 1	3,896	\$84.46	1,879	\$82.60
Stock subscriptions for the period	-	-	-	-
Stock options expired for the period	-	-	-	-
Outstanding stock options on March 31	<u>3,896</u>	<u>\$84.46</u>	<u>1,879</u>	<u>\$82.60</u>
Executable stock options on March 31	-		-	
Weighted-average fair value of the stock options granted for the period		\$-		\$-

- 3) Below is the aforementioned share-based payment plan outstanding as of March 31, 2021, December 31, 2020, and March 31, 2020:

<u>2021.03.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$82.60	4.67 years
Granted on October 27, 2020	\$86.20	5.57 years
<u>2020.12.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$82.60	4.92 years
Granted on October 27, 2020	\$86.20	5.82 years
<u>2020.03.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$82.60	5.67 years

- 4) The expense recognized by the Company for employee share-based payment plans is shown as the following:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Recognized expenses due to share-based payment transactions	<u>\$1,547</u>	<u>\$200</u>
(All are equity delivery share-based payment)		

o. Operating revenue

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Revenue from customer contracts		
Revenue from sale of goods	\$2,470,797	\$2,008,225
Revenue from provision of service	8,904	6,848
Others	2,178	-
Total	<u>\$2,481,879</u>	<u>\$2,015,073</u>

Information regarding the Group's revenue from customer contracts is as follows:

1) Breakdown of revenue

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
	Single department	Single department
Sales of goods	\$2,470,797	\$2,008,225
Service revenue	8,904	6,848
Others	2,178	-
Total	<u>\$2,481,879</u>	<u>\$2,015,073</u>
Timing of revenue recognition:		
At a fixed point in time	\$2,479,701	\$2,015,073
Over a period of time	2,178	-
Total	<u>\$2,481,879</u>	<u>\$2,015,073</u>

2) Contract balance

a) Contract liability - current

	2021.03.31	2020.12.31	2020.03.31	2020.01.01
Sales of goods	\$508	\$502	\$478	\$474
Customer loyalty program	9,423	7,602	7,618	6,579
Total	<u>\$9,931</u>	<u>\$8,104</u>	<u>\$8,096</u>	<u>\$7,053</u>

Explanations of the changes in the balance of contract liabilities for the three months ended March 31, 2021 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue for the period	\$(13)	\$(825)
Increase in advance payment for the period	19	2,646

Explanations of the changes in the balance of contract liabilities for the three months ended March 31, 2020 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue for the period	\$(47)	\$(566)
Increase in advance payment for the period	51	1,605

p. Expected credit loss

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Operating expenses - expected credit loss		
Receivables	\$-	\$-

Please see Note 12 for information on credit risk.

- 1) Historical records of credit loss on the Group's receivables (including notes receivable and accounts receivable) indicate that diverse types of loss allowance are not found between different groups of customers. Therefore, allowance for loss as of March 31, 2021, December 31, 2020, and March 31, 2020 is assessed using the same group and the relevant information can be found in the following:

March 31, 2021

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$379,308	\$50	\$48	\$379,406
Rate of loss	0.16%	100%	100%	
Expected lifetime credit loss	(603)	(50)	(48)	(701)
Carrying amount	\$378,705	\$-	\$-	\$378,705

December 31, 2020

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$315,753	\$399	\$180	\$316,332
Rate of loss	0.11%	40%	100%	
Expected lifetime credit loss	(362)	(159)	(180)	(701)
Carrying amount	\$315,391	\$240	\$-	\$315,631

March 31, 2020

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$410,855	\$660	\$177	\$411,692
Rate of loss	0.04%	57%	100%	
Expected lifetime credit loss	(146)	(378)	(177)	(701)
Carrying amount	\$410,709	\$282	\$-	\$410,991

of the Group's notes receivable is past due.

- 2) Information on changes in allowance for loss of notes receivable and accounts receivable of the Group for the three months ended March 31, 2021 and 2020 is as follows:

	Notes receivable	Accounts receivable
2021.01.01	\$-	\$701
Increase (decrease) in the period	-	-
2021.03.31	\$-	\$701
2020.01.01	\$-	\$701
Increase (decrease) in the period	-	-
2020.03.31	\$-	\$701

q. 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

Carrying amount of right-of-use assets

	Building and construction
Cost:	
2021.01.01	\$3,557,999
Acquisition	169,083
Disposal	(107,279)
2021.03.31	\$3,619,803
2020.01.01	\$2,870,472
Acquisition	43,301
Disposal	-
2020.03.31	\$2,913,773
Depreciation and impairment:	
2021.01.01	\$1,070,461
Depreciation	76,241
Disposal	(19,626)
2021.03.31	\$1,127,076
2020.01.01	\$836,664
Depreciation	64,300
Disposal	-
2020.03.31	\$900,964
Carrying amount:	
2021.03.31	\$2,492,727
2020.12.31	\$2,487,538
2020.03.31	\$2,012,809

ii. Lease liabilities			
	2021.03.31	2020.12.31	2020.03.31
Lease liabilities	<u>\$2,577,451</u>	<u>\$2,569,522</u>	<u>\$2,076,649</u>
Current	<u>\$290,309</u>	<u>\$287,118</u>	<u>\$242,915</u>
Non-current	<u>\$2,287,142</u>	<u>\$2,282,404</u>	<u>\$1,833,734</u>

Please refer to Note 6-19(4) Financing Costs for the Group's interest expense for lease liabilities for the three months ended March 31, 2021 and 2020; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of March 31, 2021, December 31, 2020, and March 31, 2020.

b) Revenues and expenses related to the lessee and lease activities		
	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Short-term lease expense	\$(4,272)	\$(3,515)
Revenue from sublease of right-of-use assets	7,055	10,627

As of March 31, 2021 and 2020, 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		
	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Total cash flows on lease	\$82,552	\$70,048

2) The Group is the lessor

The Group classifies leases for which nearly all risks and rewards associated with the right-of-use assets for self-use will not be transferred during the lease as operating leases.

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Lease revenue recognized from operating lease		
Fixed lease payment	\$7,055	\$10,627

In signing operating lease contracts, the Group has the following total amount of undiscounted lease payment as of March 31, 2021, December 31, 2020, and March 31, 2020 and for the remaining years:

	2021.03.31	2020.12.31	2020.03.31
Less than 1 year	\$27,341	\$34,182	\$38,995
More than 1 but no more than 2 years	25,021	30,073	35,468
More than 2 but no more than 3 years	17,951	38,149	31,595
More than 3 but no more than 4 years	14,479	19,457	24,775
More than 4 but no more than 5 years	14,350	18,816	20,046
More than 5 years	36,478	53,141	43,498
Total	<u>\$135,620</u>	<u>\$193,818</u>	<u>\$194,377</u>

- r. The following is a compilation of employee benefits, depreciation and amortization expense by function:

Characteristic \ Function	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$170,211	\$170,211	\$-	\$134,882	\$134,882
Labor and health insurance expenses	-	18,912	18,912	-	13,399	13,399
Pension expenses	-	9,514	9,514	-	7,580	7,580
Other employee benefit expenses	-	12,507	12,507	-	10,778	10,778
Depreciation expenses	-	115,870	115,870	-	96,237	96,237
Amortization expenses	-	849	849	-	2,574	2,574

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 the 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.

The Company estimated the pay to employees and Directors/Supervisors by 3% and 0.89% respectively based on profitability conditions. Employee compensation and remunerations of the Directors and Supervisors recognized for the three months ended March 31, 2021 were NT\$2,674 thousand and NT\$793 thousand, respectively. Employee compensation and remunerations of the Directors and Supervisors recognized for the three months ended March 31, 2020 were NT\$1,654 thousand and NT\$491 thousand, respectively. The aforementioned amounts were recorded under compensation expenses.

On March 18, 2021, the Company's Board of Directors approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for the year ended December 31, 2020 of NT\$7,146 thousand and NT\$2,120 thousand, respectively, which had no material difference with the expenses recognized on the financial statements for the year ended December 31, 2020.

The actual distribution of employee compensation and remunerations of the Directors for the year ended December 31, 2019 had no material difference from the expenses recognized in financial statements.

- s. Non-operating income and expenses

1) Interest income

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Financial assets measured at amortized cost	<u>\$168</u>	<u>\$98</u>

2) Other income		
	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Rental revenue	\$7,055	\$10,627
Other income - others	10,789	749
Total	<u>\$17,844</u>	<u>\$11,376</u>
3) Other gains and losses		
	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Gain (Loss) from foreign exchange, net	\$237	\$(160)
Gains on lease modifications	2,610	-
Gains on disposal of property, plant and equipment	101	-
Other expenditures - other	(444)	(18)
Total	<u>\$2,504</u>	<u>\$(178)</u>
4) Financing costs		
	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Interest from bank loans	\$903	\$125
Interest expense from corporate bonds	163	808
Interest from lease liabilities	7,389	6,252
Total	<u>\$8,455</u>	<u>\$7,185</u>

t. Income tax

1) Major components of income tax expenses (gains) are as follows:

Income tax recognized in profit or loss

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Current tax expenses (gains):		
Current tax payable	\$21,894	\$13,747
Deferred tax expenses (gains):		
Deferred tax expenses related to initial recognition of temporary difference and its reversal	(3,613)	(1,839)
Income tax expenses	<u>\$18,281</u>	<u>\$11,908</u>

2) Filing and review of income tax

As of March 31, 2021, the income tax returns of the Company and its subsidiaries were assessed and approved as follows:

	<u>Filing of income tax</u>
The Company	Reviewed to 2018
Subsidiary - Ivy Biotechnology Co., Ltd.	Reviewed to 2019
Subsidiary - Bai-Lin Logistics Co., Ltd.	Reviewed to 2018
Subsidiary - Da Yu Property Management Co., Ltd.	Reviewed to 2019

u. Earnings per Share

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Net profit attributable to holders of ordinary shares of the parent company	\$71,810	\$46,071
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	53,447	50,256
Basic EPS (NT\$)	\$1.34	\$0.92

2) Diluted EPS

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Net profit attributable to holders of ordinary shares of the parent company	\$71,810	\$46,071
Redemption gain or loss from issuance of domestic convertible bonds	-	-
Interest from convertible bonds	137	708
Net profit attributable to holders of ordinary shares of the parent company after dilutive effect	\$71,947	\$46,779
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	53,447	50,256
Dilutive effect:		
Employee stock options (in 1,000 shares)	1,305	(Note)
Employee bonus - shares (in 1,000 shares)	77	67
Convertible bonds (in 1,000 shares)	512	2,512
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	55,341	52,835
Diluted EPS (NT\$)	\$1.30	\$0.89

Note: The computation of diluted earnings per share is anti-dilution effect and has not been included in the calculation of diluted earnings per share.

- 3) 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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Short-term employee benefits	\$4,230	\$4,436
Retirement benefits	167	67
Share-based payment	226	52
Total	<u>\$4,623</u>	<u>\$4,555</u>

8. Assets Pledged

The Company has pledged the following assets as collateral:

Item	Carrying amount			Content of the secured liabilities
	2021.03.31	2020.12.31	2020.03.31	
Financial assets measured at amortized cost - current	\$24,000	\$24,000	\$24,000	Credit card guarantee
Financial assets measured at amortized cost - non-current	3,000	3,000	3,000	Purchase contract guarantee
Total	<u>\$27,000</u>	<u>\$27,000</u>	<u>\$27,000</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

	2021.03.31	2020.12.31	2020.03.31
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$783,459	\$835,802	\$613,415
Financial assets measured at amortized cost	27,000	27,000	27,000
Net notes receivable	2,543	4,517	8,291
Net accounts receivable	376,162	311,114	402,700
Other receivables	36,327	71,025	84,384
Total	<u>\$1,225,491</u>	<u>\$1,249,458</u>	<u>\$1,135,790</u>

Financial liabilities

	2021.03.31	2020.12.31	2020.03.31
Financial liabilities at amortized cost:			
Short-term loans	\$370,000	\$370,000	\$370,000
Accounts payable	1,392,736	1,398,753	1,317,293
Bonds payable (including those maturing within 12 months)	30,206	40,583	162,955
Lease liabilities	2,577,451	2,569,522	2,076,649
Total	<u>\$4,370,393</u>	<u>\$4,378,858</u>	<u>\$3,926,897</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/decreases by 1%, the Group's income for the three months ended March 31, 2021 and 2020 will increase/decrease by NT\$1,960 thousand and NT\$1,538 thousand, respectively.

Equity price risk

As of March 31, 2021, December 31, 2020, and March 31, 2020, the Group does not hold equity securities measured by fair value. Therefore, equity price risk does not exist.

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 counterparties.

As of March 31, 2021, December 31, 2020, and March 31, 2020, 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 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
2021.03.31							
Short-term loans	\$370,671	\$-	\$-	\$-	\$-	\$-	\$370,671
Accounts payable	1,392,736	-	-	-	-	-	1,392,736
Bonds payable	30,604	-	-	-	-	-	30,604
Lease liabilities	322,913	318,206	307,119	293,204	277,982	1,212,647	2,732,071
2020.12.31							
Short-term loans	\$370,130	\$-	\$-	\$-	\$-	\$-	\$370,130
Accounts payable	1,398,753	-	-	-	-	-	1,398,753
Bonds payable	41,310	-	-	-	-	-	41,310
Lease liabilities	310,883	303,810	296,788	280,159	265,105	1,177,388	2,634,133
2020.03.31							
Short-term loans	\$371,165	\$-	\$-	\$-	\$-	\$-	\$371,165
Accounts payable	1,317,293	-	-	-	-	-	1,317,293
Bonds payable	168,270	-	-	-	-	-	168,270
Lease liabilities	263,640	254,674	247,977	235,108	220,221	928,282	2,149,902

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities for the three months ended March 31, 2021:

	Short-term loans	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
2021.01.01	\$370,000	\$40,189	\$2,569,522	\$2,979,711
Cash flow	-	4,946	(78,280)	(73,334)
Non-cash changes				
Changes in scope of lease for the period	-	-	78,820	78,820
Interest from lease liabilities	-	-	7,389	7,389
2021.03.31	\$370,000	\$45,135	\$2,577,451	\$2,992,586

Information on adjustments of liabilities for the three months ended March 31, 2020:

	Short-term loans	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
2020.01.01	\$-	\$26,015	\$2,093,629	\$2,119,644
Cash flow	370,000	1,354	(66,533)	304,821
Non-cash changes				
Changes in scope of lease for the period	-	-	43,301	43,301
Interest from lease liabilities	-	-	6,252	6,252
2020.03.31	\$370,000	\$27,369	\$2,076,649	\$2,474,018

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:

- 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 the Group's financial assets and financial liabilities measured at amortized cost is a close approximation of their fair value.

	Carrying amount		
	2021.03.31	2020.12.31	2020.03.31
Financial liabilities:			
Bonds payable	\$30,206	\$40,583	\$162,955
	Fair value		
	2021.03.31	2020.12.31	2020.03.31
Financial liabilities:			
Bonds payable	\$30,255	\$40,761	\$164,567

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 Group's holding of derivative financial instruments that do not meet the hedge accounting and have not yet expired is as follows:

Embedded derivatives

The Group has identified embedded derivatives from the 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: 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

As of March 31, 2021, December 31, 2020, and March 31, 2020, the Group does not have assets measured by non-repetitive fair value.

Transfer between rank 1 and rank 2 of fair value ranks: None.

Details on changes in repetitive fair value rank 3: None.

Information on material unobservable input in fair value rank 3: None.

3) Ranked information not measured at fair value but fair value disclosure is required

March 31, 2021

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (see Note 6.11 for details)	\$-	\$-	\$30,255	\$30,255

As of December 31, 2020:

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (see Note 6.11 for details)	\$-	\$-	\$40,761	\$40,761

As of March 31, 2020:

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (see Note 6.11 for details)	\$-	\$-	\$164,567	\$164,567

j. Information on financial assets and financial liabilities in foreign 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) Marketable securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures): None.
- 4) The Company's cumulative buy or sell of individual marketable security of at least NT\$300 million or 20% of the paid-in capital for the period: None.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 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 1.
- 8) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 2.
- 9) Derivatives transactions: None.
- 10) Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries: Please see Table 5.

b. Information on Reinvestments:

- 1) Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China): Please see Table 3.
- 2) When the Company has control over the investee, the Company shall disclose the investee (Note 13). (I) Relevant information:
 - a) Capital financing for others: None.
 - b) Endorsement/guarantee for others: None.
 - c) Marketable securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures): None.
 - d) Cumulative buy or sell of individual marketable security of at least NT\$300 million or 20% of the paid-in capital for the 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 4.
 - h) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: None.
 - 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 (shares)	Shareholding ratio
Jun Wei Investment Co., Ltd.	7,383,517	13.79%
Zhen Han Investment Co., Ltd.	6,063,106	11.32%
Hao Cheng Investments Co., Ltd.	4,230,700	7.90%

14. Departmental Information

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.

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
For the three months ended March 31, 2021

Unit: in NT\$1,000

Sales/purchase company	Name of counterparty	Relations	Transaction conditions		The ratio of total purchase (sales)	Credit period	Terms that are different from the average transactions		Accounts receivable		Remark
			Purchases (sales)	Amount			Unit price	Credit period	Balance	Ratio of total accounts receivable	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	\$762,584	30.43%	Offset of debts and claims	No other customers for comparison	Non-related parties: 60-120 days credit	Accounts receivable \$320,459	47.81%	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
 March 31, 2021
 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	\$320,459	10.30	\$-	-	\$248,419	\$-
			(Note)					

Note: It has already been charged-off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Disclosure of Investee Information When the Company Has Material Influence or Control over the Investee Company (Excluding Investments in Mainland China)

March 31, 2021

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 this period	Year-end in previous year	Shareholding	Ratio (%)	Carrying amount			
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	No. 145, Chenggang 4th Street, Zhongli 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%	\$121,240	\$16,718	\$12,462 (Note 1)	Note 2
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%	\$8,831	\$1,171	\$1,171	Note 2
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	No. 143, Chengzhang 4th Street, Zhongli 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	360,000 shares	60.00%	\$30,608	\$306	\$183	Note 2

Note 1: Includes income from investment recognized using equity method for the period of NT\$16,718 thousand, write-off for lease transaction with related party NT\$3 thousand, realized gain on upstream transactions in the previous period of NT\$26,426 thousand, and unrealized gain on upstream transactions for the period of NT\$30,679 thousand.

Note 2: 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

For the three months ended March 31, 2021

Unit: in NT\$1,000

Sales/purchase company	Counterparty	Relations	Transaction conditions	Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
								Unit price	Credit period	Balance	Ratio of total accounts and notes receivable (payable)	
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases		\$762,584	100.00%	Offset of debts and claims	No other suppliers for comparison	No other suppliers for comparison	Accounts payable \$320,459	100.00%	Note

Note: It has already been charged-off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

Unit: in NT\$1,000

Code (Note 1)	Name of counterparty	Transaction counterparty	Relationship with counterparty (Note 2)	Transaction status			
				Item	Amount	Transaction conditions	Ratio on consolidated total revenue or asset (Note 3)
	<u>2021.01.01~2021.03.31</u>						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	97,981	30 days credit	3.95%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts receivable	210	30 days credit	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	3,741	-	0.06%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Bills payable	32,200	30 days credit	0.53%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	48,234	30 days credit	0.79%
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.	Ivy Biotechnology Co., Ltd.	1	Rental revenue	1,800	-	0.07%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Sales	762,584	Offset of debts and claims	30.73%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	320,459	Offset of debts and claims	5.23%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Other payables	124	-	-
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Shipping fee	3,238	-	0.13%
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other receivables	3,562	-	0.06%

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. Parent company will be coded "0."
2. The subsidiaries are coded from "1" in the order presented in the table above.

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.