TWSE Stock Code: 6469

Great Tree Pharmacy Co., Ltd.

2019

Annual Report

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

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

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

Printed on April 30, 2020

I. Spokesperson: Cheng Ming Lung Title: General Manager

Telephone: (03)455-6469

E-mail: stock@greattree.com.tw

Deputy spokesperson: Wu Shu Yi Title: Assistant Manager in Finance Department

Telephone: (03)455-6469

E-mail: stock@greattree.com.tw

II. Address and telephone of the Company and plant:

Name	Address	Tel
Head office	No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City.	(03)455-6469
Taoyuan Branch	No. 1, Gaobian Road, Zhongli District, Taoyuan City.	(03)455-4585
Gangshan Branch Office	No. 136, Gangshan Rd., Gangshan Dist., Kaohsiung City	(07)621-9477
Jinmen Branch Office	No.17, Alley 1, Lane 239, Section 1, Huandao West Road, Jincheng Town, Jinmen County	(082)312832

III. Stock transfer handling agency:

Name: Share Agency Department, Taishin International Bank

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

Telephone: (02)2504-8125

Website: www.taishinbank.com.tw/

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

Names: Lo Hsiao-Chin and Cheng Ching-Piao

Name of accounting firm: Ernst & Young (EY)

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

Website: www.ey.com.tw

Telephone: (02)2757-8888

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

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

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Chapter 1. Letter to Shareholders

Dear Esteemed Shareholders,

First of all, thank you all for taking time off from your busy schedule to attend our Annual Shareholders' Meeting. On behalf of the Company, I extend a warm welcome to you and thank you for your kind support and encouragement. Presented below is a report on the Company's 2019 business status and our future development targets:

I. 2019 Business Report

(I) Implementation results of 2019 Business Plan:

When the Company got listed in the stock market in 2016, it proposed a five-year plan and anticipated to make use of the economy of scale to expand its business model. Now, the plan has been realized and the Company’s revenue has increased from NT$2.8 billion in 2016 to NT$ 6.6 billion in 2019. The Company also transformed itself to become the largest channel in pharmacy, health care industry in Taiwan. Thus, the Company pays its gratitude to the shareholders’ support so that it can focus more on elevating its value and competitiveness than chasing short-term profit.

In 2019, the Company's consolidated net operating revenue has been NT$6,601,612 thousand, showing a 34.71% increase from 2018. The pretax consolidated profit has been NT$171,095 thousand, which showed an increase of 26.87% from 2018. Increases in both revenue and pretax profits are mostly attributable to the revenue injections from the Company's 37 new stores opened in 2019 and through effective cost control, enhancing operating efficiency. These efforts have paid off in the form of increases in both 2019 consolidated revenue and pretax profit.

The Company consolidated with Pro Healthcare Franchise in the early 2019 to step into community franchised system. With the Company’s accumulated experience in pharmacy operation, this consolidation and collaboration would diversify The Company’s business channels and encourage more young franchisees to join in pharmaceutical market. By 2019, there has been 50 business partners owing to the franchise system.

The Company advanced itself in the e-commerce in 2019. Apart from operating its cross-border business with T Mall (a subsidiary of Alibaba), the Company collaborated with other e-commerce channels, such as YAHOO, SHOPEE, Qoo10. The revenue generated from e-commerce reached NT$ 220,651thousand.

Following its Corporate Identity System, the Company kept upgrading its physical layout and décor, its professional and reliable service, as well as its personalized membership system in order to create a more comfortable shopping experience and fortify customer’s loyalty. Currently there has been over 600,000 active members in the Company’s loyalty program and new stores kept recruiting new members. Hence, the revenue would stay mounting up.

(II) Budget execution process: The Company did not disclose 2019 financial estimates, so the disclosure of budget execution is not necessary.

(III) Financial balance and profitability analysis:

in NT$1,000's

Item	2019	2018
Cash flow from operations	224,888	131,331
Cash flow from investments	(291,202)	(156,521)
Cash flow from financing activities	(259,224)	384,179
Return on assets (%)	4.45	5.66
Return on equity (%)	11.66	11.26
Ratio of net profit before tax to paid-in capital (%)	39.58	36.90
Net profit margin	2.03	2.16
Earnings per share (NT$)	3.25	2.66

Note: The aforementioned financial information is consolidated information that has adopted IFRS reporting standards.

(IV) Research and development (R&D) status: The Company is in the pharmaceutical retail chain business and does not have a dedicated R&D unit. Nevertheless, its merchandizing and marketing department continues actively to develop products that cater to the diverse needs of its broad customer base.

II. Summary of 2020 Business Plan

The year 2020 is the last year of the five-year plan. The Company not only strives to achieve operating 200 physical stores, but also attempts to launch its Omni-channel OMO service and Online Personal Health Data Pharmacy for the sake of next five years.

(I) Business Focus and Major Production and Marketing Policies

1) Continue to optimize store operation model and to expand the scale of business.
2) Continue to differentiate itself with other pharmacies by setting up strategic collaborations with famous oversea companies and through importing competitive products and brands
3) The Company provides consumers with free, professional online health care service through the pioneering Personal Cloud-based Health Management System. The Company plans to mature the system and increase its users in 5 years. The vision is to make it the best virtual channel for health care services in Taiwan.
4) Launch commercial functions on the cloud-based health information platform. Integrate physical and virtual customer service and sales system; Overcome the legal prohibition against drug sales online and establish a direct, fast, and comprehensive bi-lateral health consultation channel for customers.
5) Promote health online network, increase in-store customer service for members, and to build a comprehensive OMO (Online Merge Offline) model.

(II) Expected Sales and its Basis

As a pharmaceutical retail chain, the Company sells many different types and quantities of products and it is impossible to forecast the sales volume. In addition, according to the Operating Revenue from Wholesale, Retail and Catering Industry disclosed by the Department of Statistics, MOEA, the amount has grown from the NT$153 billion in 2009 to the NT$198.1 billion in 2019, with the annual compound growth rate of 2.38%. Therefore, the overall domestic market for medicine, medical products and beauty/skincare product reveals a continuous moderate and optimistic growth. The Company is actively opening up new stores and expanding its business scale and expects to maintain stable revenue growth.

III. Future Company Development Strategies

The Company will adopt an active and sound growth strategy by recruiting professional talents on the one hand, and actively developing new products and new markets on the other hand, prompting the Company to become the best in the industry.

The Company will keep innovations and its Personal Cloud-based health information platform will integrate data collected from clinical and household health measurements to generate a thorough health consultation for the users. Then, pharmacy will not just be pharmacy.

IV. Impacts from External Competitive Environment, Legal Environment, and Overall Operating Environment

The Company is in the retail/wholesale channel for pharmacy management. Since we operate a variety of products, we also face competition from other pharmacies and drug stores. Under an increasingly competitive environment in the future, the Company will provide professional and well-rounded educational training for our employees to establish professionalism in line with its core value. In addition, we will develop service processes with high entry barriers through our innovative senior core management team, and to differentiate ourselves from industry competitors by rapidly reproducing our successful experiences of business development.

Finally, I would like to once again express my heartfelt appreciation for the support and encouragement received from all shareholders and our passionate and dedicated staff over the years. You have our highest regards! I would like to wish everyone

Health and prosperity

Chairman: Liu Yu Teng
General Manager: Cheng Ming Lung
Accounting Manager: Wu Shu Yi

Chapter 2. Company Profile

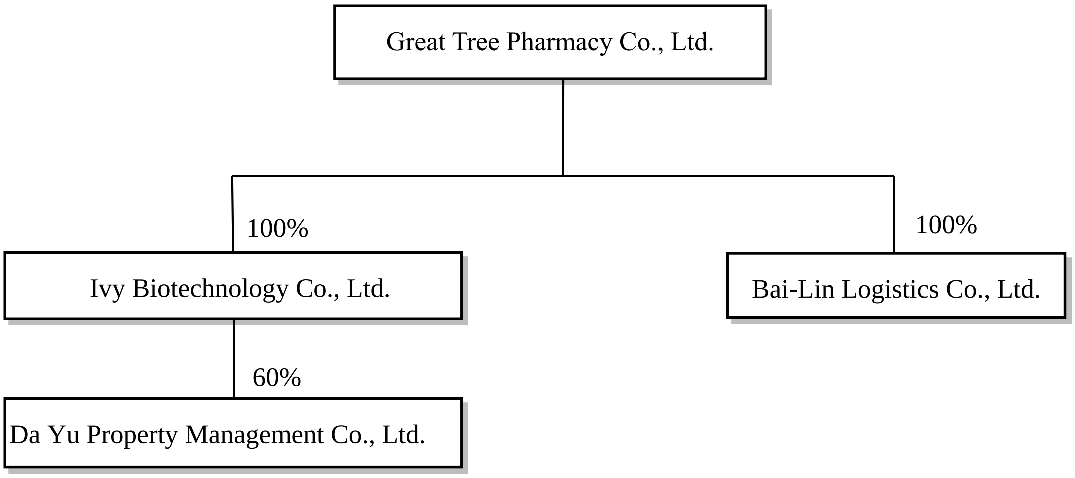
I. Introduction to the Company and the Group

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

(I) Date of Incorporation: May 15, 2001

(II) Structure of the Group

1. Organizational Chart of Affiliates (As of April 30, 2020)



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

As of March 31, 2020; Unit: NT$ '000; Shares

Name of affiliate	Relation with the Company	Main business	Directly or indirectly held by the Company			Affiliate that holds shares in the Company		
			Ratio (%)	Number of shares	Amount	Ratio (%)	Number of shares	Amount
Ivy Biotechnology Co., Ltd.	Subsidiary accounted for using equity method	Wholesale and retail business	100.00	5,900,000	59,000	—	—	—
Bai-Lin Logistics Co., Ltd. (Note 1)	Subsidiary accounted for using equity method	Wholesale and retail business	100.00	200,000	2,000	—	—	—
Da Yu Property Management Co., Ltd. (Note 2)	Subsidiary of subsidiary (second-tier subsidiary) accounted for using equity method	Buy/sell transactions and lease of real property	60.00	360,000	36,000	—	—	—

Note 1. The Group invested NT$2 million to establish Bai-Lin Logistics Co., Ltd. on November 30, 2016.

Note 2. The Group invested NT$3 million toward Da Yu Property Management Co., Ltd. on April 28, 2017.

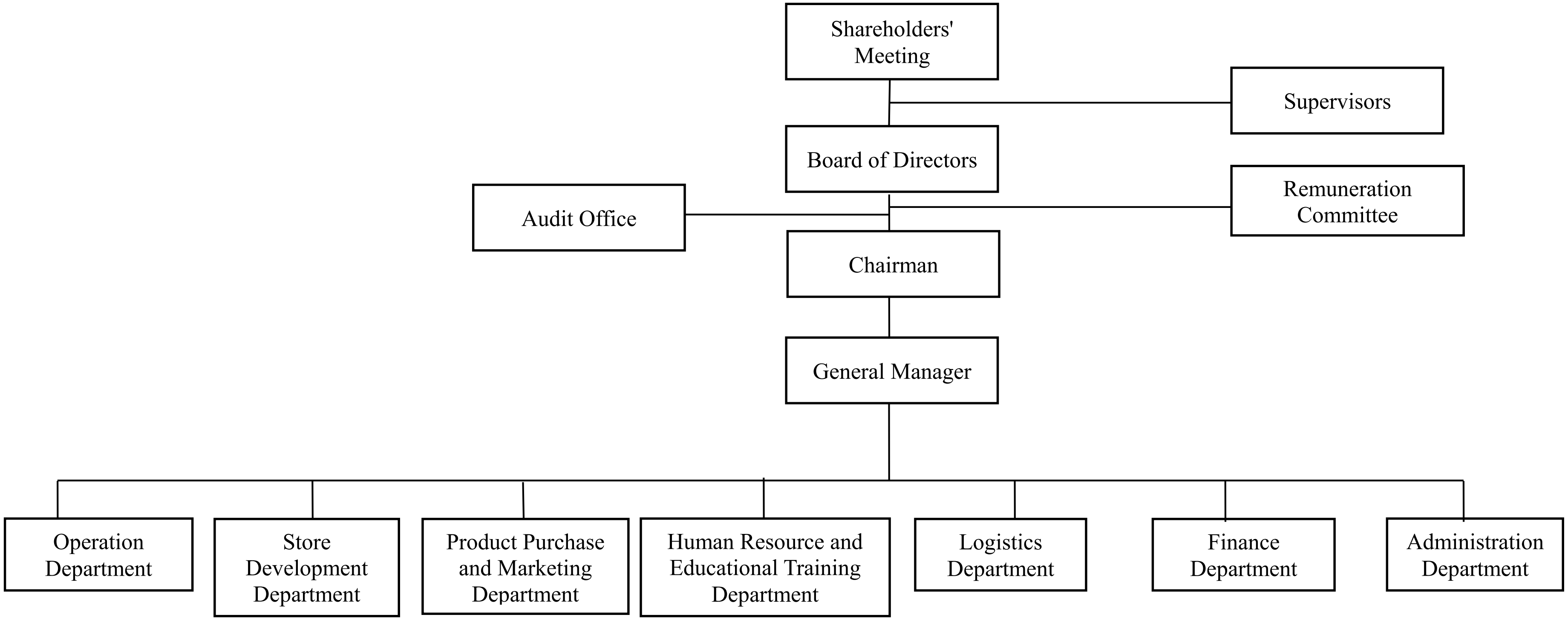
II. Company History

Year	Milestones
2001	Tian-Chin Pharmaceuticals Co. Ltd. was established with the paid-in capital of NT$3 million. The Chairman was Mr. Liu Yu Teng, and the Company used "Great Tree Pharmacy" as the brand of its drugstore retail channels.
2002	ERP web online system was successfully introduced, allowing all information management throughout the Company to be more humanistic, effective, stable, secure, and instantaneous.
2005	Established presence in "E-Mall," the first integrated institution of medical community with shops throughout Taiwan and becoming a hybrid community drugstore that blends health care, professionalism, with business opportunities.
2007	Assisted Tajen University to establish an drugstore for internship on its campus. Reached more than 10 franchised drugstores in the Taoyuan area.
2009	Managed the health business division of Carrefour, the largest retailer in Taiwan, and opened drugstores under the joint trademark of Great Tree Pharmacy and Carrefour, pushing the Great Tree experience nationwide.
2010	Introduced corporate identity system (CIS) to all stores and updated shelf displays.
2011	Opened the first franchised drugstore in New Taipei City - Tucheng YuMin Store.
2012	Reached more than 20 franchised drugstores nationwide. Established the "Nanping Medical Community", providing the community with "primary care deductibles", and hospital grade "multiple division convenient healthcare."
2013	Reached more than 25 franchised drugstores nationwide. Opened the first franchised drugstore in Hsinchu City - Hsinchu Xida Store. Opened the first franchised drugstore in Taipei City - Taipei Longjiang Store
2014	Reached more than 35 franchised drugstores nationwide. Opened franchised drugstores in Kaohsiung City - Fengshan Youth Store and Qianzhen Ruilong Store. Opened franchised drugstores in Taichung City - Dali Chunghsin Store, Hangkou Store, and Meicun Store. Stationed into the "Taoyuan International Airport Terminal 1 Shopping Mall," protecting the health of the travelers at the nation's door with professional and warm services. Changed the company name to Great Tree Pharmacy Co., Ltd. Registered in emerging stocks on December 29, 2014.
2015	Reached more than 45 drugstores including franchised and the airport direct-sale store. Cooperated with FamilyMart to establish compound drugstore.
2016	Reached more than 68 drugstores including franchised and the airport direct-sale store. Officially listed in the stock market on March 30th, 2016.
2017	Reached more than 86 drugstores including franchised and the airport direct-sale store. (76 franchised and direct-sale drugstores, 9 FamilyMart x Great Tree compound drugstores, 1 drugstore in Carrefour) Restarted the cooperation with Carrefour, the largest retailer in Taiwan, and established the healthcare zone.
2018	Reached more than 111 drugstores including franchised and the airport direct-sale store. (106 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 1 drugstore in Carrefour)
2019	Reached more than 147 drugstores including franchised and the airport direct-sale store. (141 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 2 drugstores in Carrefour) At the beginning of 2019, we integrated the chain system of Pro Healthcare with 50 franchises
April, 2020	Reached more than 161drugstores including franchised and the airport direct-sale store. (152 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 5 drugstores in Carrefour) At the beginning of 2019, we integrated the chain system of Pro Healthcare with 51 franchises

Chapter 3. Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Responsibilities and functions of major departments

Department	Responsibilities and functions
Audit Office	✓ Establishment, amendments, and reviews of the internal audit system. ✓ Discussion, approval, and amendments of the internal control system. ✓ Discussion, plan, and review of systems within subsidiaries.
Operation Department	✓ Establish strategies and operational management over store developments.
Store Development Department	✓ Develop new stores. ✓ Coordinate the measurement inspections and designs of various engineering projects. ✓ Supervise the construction quality and quality management of various engineering projects. ✓ Maintenance and management of engineering equipment. ✓ Revisions, establishments, promotions and implementation, and follow-up of various environmental and occupational safety and health regulations. ✓ Coordinate the implementation of health and safety inspections at all stores and head office.
Product Purchase and Marketing Department	✓ Development of product purchase and planning and carrying out of brand strategies.
Human Resource and Educational Training Department	✓ Planning and carrying out human resources tasks. ✓ Personnel administration works ✓ Personnel educational training.
Logistics Department	✓ Coordinate various tasks and operations related to logistics and warehousing.
Finance Department	✓ In charge of matters related to corporate finance. ✓ Responsible of coordinating the Company's accounting tasks.
Administration Department	✓ Information system management. ✓ Administration works. ✓ Management and maintenance over fixed assets and other assets.

II. Information on Directors, Supervisors, General Manager, Vice Presidents, Assistant Managers, and Managers of Departments and Branches

(I) Information on Directors and Supervisors as of Book Closure Date on April 19, 2020; Unit: Shares

Title	Name	Nationality	Gender	Date first elected	Date of appointment	Term	Shares held when elected		Current shareholding		Shares held by spouse and minor children		Shares held in others' names		Education and work experience	Titles currently held at the Company and other companies	Other Supervisor or Director roles held by spouse or second-degree relations			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Chairman	Jun Wei Investment Co., Ltd	Republic of China	—	2014.05.30	2017.06.23	3 years	4,430,580	16.70	6,276,986	14.40	—	—	—	—	—	—	—	—	—	—
	Representative: Liu Yu Teng	Republic of China	Male	2014.05.30	2017.06.23	3 years	107,100	0.40	151,732	0.35	—	—	—	—	Bachelor's Degree, School of Pharmacy, China Medical University Qualified for Senior Pharmacist Examination for Professional and Technical Personnel Chairman and President of Jun Wei Investment Co., Ltd	Chairman of Great Tree Pharmacy Co., Ltd. Chairman of Ivy Biotechnology Co., Ltd. Chairman of Bai-Lin Logistics Co., Ltd. Chairman of Treetop Molecular Biotechnology Co., Ltd. Director and General Manager of Jun Wei Investment Co., Ltd Direcotr and General Manager of Hao Cheng Investments Co., Ltd.	Director Supervisor	Cheng Ming Lung Liu Shu Liang	Sibling Sibling	—
Director	Zhen Han Investment Co., Ltd	Republic of China	—	2014.05.30	2017.06.23	3 years	3,638,250	13.72	5,154,458	11.82	—	—	—	—	—	—	—	—	—	—
	Representative: Cheng Ming Lung	Republic of China	Male	2014.05.30	2017.06.23	3 years	347,655	1.31	1,153,435	2.65	—	—	—	—	Bachelor of Shih Chien University Manager of Sinyi Realty Inc. Chairman and President of Zhen Han Investment Co., Ltd.	General Manager of Great Tree Pharmacy Co., Ltd. Director and General Manager of Ivy Biotechnology Co., Ltd. Director and General Manager of Bai-Lin Logistics Co., Ltd. Directors of Treetop Molecular Biotechnology Co., Ltd. Chairman of Da Yu Property Management Co., Ltd. Director and General Manager of Zhen Han Investment Co., Ltd.d.	Chairman Supervisor	Liu Yu Teng Liu Shu Liang	Sibling Sibling	—
Director	Yuang Ding Investment Co,Ltd	Republic of China	—	2014.05.30	2014.06.23	3 years	581,700	2.19	824,118	1.89	—	—	—	—	—	Director of GIO Optoelectronics Corp. Supervisor of Smart Performer Co., Ltd. Director of Eminent Electronics Technology, Co, Ltd. Director of PET Pharm Biotech Co., Ltd. Supervisor of Luxul Technology Inc.	—	—	—	—

Title	Name	Nationality	Gender	Date first elected	Date of appointment	Term	Shares held when elected		Current shareholding		Shares held by spouse and minor children		Shares held in others' names		Education and work experience	Titles currently held at the Company and other companies	Other Supervisor or Director roles held by spouse or second-degree relations			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
																Director of Taiwan Silicones Technology Co., Ltd. Director of AMICCOM Electronics Corporation., Ltd. Director of BandRich Inc. Director of BRIM Biotechnology, Inc. Director of Bio Preventive Medicine Corp.				
	Representative: Shen Li Ping	Republic of China	Male	2014.05.30	2017.06.23	3 years	31,500	0.12	47,918	0.11	—	—	—	—	Master of Business Administration, National Chung Cheng University Bachelor's Degree, Department of Finance, National Central University Auditor of KPMG Professional Assistant Manager, Mega Securities Co., Ltd. Sales Manager, Taishin Securities Co., Ltd.	Representative of Corporate Director, Great Tree Pharmacy Co., Ltd. Representative of Corporate Director, Art Emperor Technology & Culture Co., Ltd Manager of Top Taiwan Venture Capital Co., Ltd.	—	—	—	—
Supervisor	Hsieh Po Chuan	Republic of China	Male	2014.05.30	2017.06.23	3 years	23,100	0.09	35,139	0.08	—	—	—	—	Ph.D. College of Science, National Sun Yat-sen University Dean, School of Pharmacy, Tajen University	—	—	—	—	—
Supervisor	Liu Shu Liang	Republic of China	Female	2014.05.30	2017.06.23	3 years	871,500	3.29	1,234,689	2.83	45,538	0.10	—	—	Yu Da University of Science and Technology Accountant, Cathay Life Insurance Co., Ltd.	—	Chairman Director	Liu Yu Teng Cheng Ming Lung	Sibling Sibling	—
Supervisor	Chen Hung Yi	Republic of China	Male	2014.09.26	2017.06.23	3 years	—	—	—	—	—	—	—	—	Ph.D. in Chemistry, College of Pharmacy, China Medical University Associate Professor, College of Pharmacy, China Medical University	—	—	—	—	—
Independent Director	Liu Tian Dao	Republic of China	Male	2014.09.26	2017.06.23	3 years	—	—	—	—	—	—	—	—	Bachelor's Degree, Business Administration, National Taiwan University Certified Public Accountant, Zhi-Dao Accounting Firm	—	—	—	—	—
Independent Director	Wei Tsung Te	Republic of China	Male	2014.06.23	2017.06.23	3 years	—	—	—	—	14,144	0.03	—	—	Ph.D. in Biochemistry and Molecular Biology, National Taiwan University Professor, Biotechnology Major, Department of Biological Science and Technology, China Medical University	Independent Director of Polaris Group	—	—	—	—

(II) Substantial Shareholders of Corporate Shareholders

As of April 19, 2020

Name of corporate shareholder	Substantial shareholders of the corporate shareholders	Shareholding ratio %)
Jun Wei Investment Co., Ltd	Liu Yu Teng	83.58%
	Liu Chun Hao	8.21%
	Liu Wei Cheng	8.21%
Zhen Han Investment Co., Ltd	Cheng Ming Lung	71.56%
	Cheng Yung Chen	14.22%
	Chan Yung Han	14.22%
Yuang Ding Investment Co, Ltd	Hontai Life Insurance Co., Ltd.	20.83%
	Taiwan Life Insurance Co., Ltd.	19.92%
	Shin Kong Life Insurance Co., Ltd.	16.67%
	Farglory Life Insurance Inc.	4.17%
	Elan Microelectronics Corp.	4.17%
	Shinkong Insurance Co., Ltd.	4.17%
	Yeh Kuo Yi	4.17%
	Ampire Co., Ltd.	3.33%
	Taiwan Fire & Marine Insurance Co., Ltd.	3.33%
	Ying Sheng Wei	2.08%

(III) Substantial Shareholders of Corporate Shareholders whose Substantial Shareholders are Judicial Persons

As of April 30, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Hontai Life Insurance Co., Ltd.	Lin Chang Long	24.77%
	Wang Wan Ling	14.97%
	Hong Sheng Co., Ltd.	6.63%
	Kai Da Co., Ltd.	6.62%
	Hamburg Industries Co., Ltd.	3.92%
	Taiyo Life Insurance Company	3.44%
	Hong Chang Co., Ltd.	3.23%
	EVERPRO Insurance Brokers Co., Ltd.	2.56%
	Rim-Tai Radio Communications Corp	2.46%
	Cheng-Hui Industry Co., Ltd.	2.41%

April 16, 2019

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

April 16, 2019

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

As of April 30, 2019

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

April 12, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Elan Microelectronics Corporation	Morgan Stanley investment account in the custody of HSBC Taiwan	3.71%
	Dedicated investment account of iShares IV in the custody of Standard Chartered Bank	3.07%
	Dedicated investment account of Credit Suisse Group AG in the custody of Standard Chartered Bank	2.71%
	Yu-Long Investments Co, Ltd.	2.33%
	Dedicated mutual fund account of APG emerging market stock in the custody of JPM	2.30%
	Dedicated investment account of Robeco Capital Growth Fund in the custody of HSBC	2.27%
	Dedicated investment account from Norges Bank in the custody of Citibank Taiwan	1.84%
	Ye Yi Hao	1.66%
	Dedicated investment account of Goldman Sachs Core Stock Portfolio in the custody of Deutsche Bank	1.55%
	JPMorgan Chase Bank as custodian of Vanguard Star Vanguard Total International Stock Index	1.49%

April 15, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Shinkong Insurance Co., Ltd.	Shinkong Textile Co., Ltd.	16.31%
	Shin Kong Life Insurance Co., Ltd.	9.40%
	Taiwan Shinkong Industrial Co., Ltd.	5.08%
	Hong Pu Enterprise Co., Ltd.	2.35%
	Kuang Ming Co, Ltd.	1.94%
	Chian Cheng Yi Co., Ltd.	1.73%
	Cosmos Hotel Taipei	1.72%
	Hong En Co, Ltd.	1.43%
	Shipu Investment Co., Ltd.	1.39%
	Beitou Hotel Co., Ltd	1.29%

April 27, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Ampire Co., Ltd.	AMICCOM Electronics Corporation., Ltd.	5.49%
	Su Han Chieh	2.92%
	Yang Yi Tsai	2.63%
	Chen Chi Yung	2.31%
	Kuan-Wei Investments and Development Co, Ltd.	2.17%
	TAINET Communication System Corp.	2.02%
	Huang Wen Hua	2.02%
	You Xiu Xiu	1.97%
	Chengding Venture Capital Co., LTD	1.69%
	Liu Lai Fuzi	1.51%

April 16, 2019

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

(IV) Directors and Supervisors

Conditions / Name (Note 1)	together with at least five years of work experience Meets one of the following professional qualification requirements,			Complies with terms for independence (Note 2)												Number of other public companies where the individual concurrently serves as an Independent Director
	Instructor or above in public/private university /college in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	A judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in business administration, law, finance, accounting, or another discipline relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10	11	12	
Representative of Jun Wei Investment Co., Ltd: Liu Yu Teng	-	✓	✓	-	-	-	-	-	✓	-	✓	✓	-	✓	-	-
Representative of Zhen Han Investment Co., Ltd: Cheng Ming Lung	-	-	✓	-	-	-	-	-	✓	-	✓	✓	-	✓	-	-
Representative of Yuang Ding Investment Co., Ltd: Shen Li Ping	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Liu Tian Dao	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Wei Tsung Te	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hsieh Po Chuan	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-
Liu Shu Liang	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	-
Chen Hung Yi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1. Number of columns will be adjusted based on actual numbers.

Note 2. For any Director or Supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [ ] sign in the field next to the corresponding conditions.

(1) Not employed by the Company or its affiliated companies.

(2) Not serving as a Director and Supervisor of the Company or any of its affiliates (except for independent directors set up by the Company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations).

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a manager listed in (1) or a spouse, relative within the second degree, or direct blood relative within the third degree of the personnel listed in (2) or (3).

(5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, holds the top five shares, or designates a representative as a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or Paragraph 2 of the Company Act (except that if the independent directors of the Company and its parent company, subsidiaries or subsidiaries of the same parent company are set up in accordance with this law or the laws and regulations of the country in which the Company is located concurrently serving as a director, supervisor or employee of the Company, this shall not apply).

(6) Not a director, supervisor or employee of another company controlled by the same person with more than half of the company's directors or voting shares (but if the independent directors of the company or its parent company, subsidiaries or subsidiaries of the same parent company are set up under this law or local laws and regulations where they are located serving concurrently, this shall not apply).

(7) A director, supervisor or employee of another company or institution that is not the same person or spouse as the chairman, president or holding equivalent post of the company (except for the independent directors set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations where they are located concurrently serving the posts).

(8) Not a director, supervisor, manager or shareholder holding more than 5% of shares of a specific company or institution that has financial or business dealings with the Company (but if a specific company or institution holds more than 20% and less than 50% of the total issued shares of the Company, and the independent director is set up by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations where they are located with concurrent posts, this restriction shall not apply).

(9) Not a professional, sole proprietor, partner, business owners, partners, directors, supervisors, managers and their spouses who provide audit services for the Companies or affiliates or whose cumulative

amount of remuneration in the past two years does not exceed NT$500,000 for business, legal affairs, finance, accounting and other related services. However, members of the Remuneration Committee, Public Acquisition Review Committee, or Merger and Acquisition Special Committee who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(12) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act

(V) General Manager, Vice Presidents, Assistant Managers, and Managers of Departments and Branches

As of the book closure date on April 19, 2020; Unit: shares

Title (Note 1)	Name	Nationality	Gender	Date first elected or assumed office	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Work and academic experiences (Note 2)	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company			Remarks (Note 3)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
General Manager	Cheng Ming Lung	Republic of China	Male	2014.01.01	1,153,435	2.65	—	—	—	—	1. Bachelor's Degree in Fashion Design, Shih Chien University 2. Manager in Sinyi Realty Corp. 3. Manager and Vice President in Administration Department at Great Tree Pharmacy Co., Ltd.	1. Director and General Manager of Ivy Biotechnology Co., Ltd. 2. Director and General Manager of Bai-Lin Logistics Co., Ltd. 3. Directors of Treetop Molecular Biotechnology Co., Ltd. 4. Chairman of Da Yu Property Management Co., Ltd. 5. Director and General Manager of Zhen Han Investment Co., Ltd.d.	—	—	—	—
Deputy General Manager	Lu Shan Feng	Republic of China	Male	2019.10.30	387,537	0.89	49,819	0.11			1. Bachelor in pharmacy, Chia Nan University of Pharmacy and Science 2. Qualified for Senior Pharmacist Examination for Professional and Technical Personnel	Supervisor of Ivy Biotechnology Co., Ltd.	—	—	—	—
Assistant Manager at Finance Department	Wu Shu Yi	Republic of China	Female	2013.11.01	160,365	0.37	—	—	—	—	1. Bachelor's Degree, Accounting Department, Fu Jen Catholic University 2. Senior Manager, Ernst & Young 3. Finance Manager at Great Tree Pharmacy Co., Ltd.	Supervisor of Da Yu Property Management Co., Ltd.	—	—	—	—
Manager at Administration Department	Tseng Ta Hung	Republic of China	Male	2019.10.24	313,035	0.72	—	—	—	—	1. Bachelor in pharmacy, Tajen University 2. Qualified for Senior Pharmacist Examination for Professional and Technical Personnel					
Manager at Operation Department	Huang Fong Sheng	Republic of China	Male	2019.10.30	77,877	0.18	1,231	0.00	—	—	1. Bachelor in pharmacy, Tajen University 2. Qualified for Senior Pharmacist Examination for Professional and Technical Personnel					
Manager at Product Purchase and Marketing Department	Yeh Shih Wei	Republic of China	Male	2019.10.30	129,264	0.30	110,862	0.25	—	—	1. Bachelor's Degree, School of Pharmacy, China Medical University 2. Qualified for Senior Pharmacist Examination for Professional and Technical Personnel					
Manager at Logistics Department	Hsu Hao	Republic of China	Male	2017.01.01	181,154	0.42	35,775	0.08	—	—	1. Department of Electrical Engineering, National United University 2. Assistant Manager, Purchasing Department, Great Tree Pharmacy Co., Ltd.	—	—	—	—	—
Chief Auditor	Huang Shu Yi	Republic of China	Female	2014.08.11	20,957	0.05	—	—	—	—	1. Bachelor's Degree in Accounting, Tunghai University 2. Manager in Ernst & Young	—	—	—	—	—

Title (Note 1)	Name	Nationality	Gender	Date first elected or assumed office	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Work and academic experiences (Note 2)	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company			Remarks (Note 3)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Manager in Store Development Department	Sung Chao Feng	Republic of China	Male	2014.04.01	244,919	0.56	8,258	0.02	—	—	1. Bachelor's Degree in Logistics Management from University of Kang Ning 2. Logistics Specialist and Store Development Specialist, Great Tree Pharmacy Co., Ltd.	Representative of Corporate Director, Da Yu Property Management Co., Ltd.	—	—	—	—

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

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

Note 3. when the general manager or person holding the equivalent post (top manager) and the chairman of the board are the same person, spouse or relative of first degree, the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, and the way that more than half of the directors are not employees or managers) shall be disclosed.

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

(I) Remuneration of directors (including independent directors) (disclosure of name with individual corresponding level)

December 31, 2019; unit: NT$ '000

Title	Name	Remunerations for Directors								Ratio of total remunerations including A, B, C, and D to net income after tax (%) (Note 10)		Compensations paid to concurrent employees								Ratio of total remunerations including A, B, C, D, E, F, and G to net income after tax (%) (Note 10)		Compensation paid to the president and vice presidents from an invested company other than the Company's subsidiaries or parent company (Note 11)
		Remuneration (A) (Note 2)		Severance Pay (B)		Director's Remuneration (C)(Note 3)		Allowances (D) (Note 4)				Salary, Bonuses and Special Expenses (E) (Note 5)		Retirement Allowance (F)		Employee Bonus (G) (Note 6)						
		The Company	All companies listed in this Financial Report (Note 7)	The Company	All companies listed in this Financial Report (Note 7)	The Company	All Companies Listed (merge) consolidated financial statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company		All companies listed in this Financial Report (Note 7)		The Company	All companies in the Consolidated Financial Statements (Note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Representative of Jun Wei Investment Co., Ltd: Liu Yu Teng	2,589	2,589	-	-	186	186	-	-	2.04	2.04	-	-	-	-	-	-	-	-	2.04	2.04	None
Director	Representative of Zhen Han Investment Co., Ltd: Cheng Ming Lung	-	-	-	-	186	186	-	-	0.14	0.14	3,691	3,691	-	-	-	-	-	-	2.85	2.85	None
Director	Representative of Yuan Ding Investment Co, Ltd: Shen Li Ping	-	-	-	-	186	186	22	22	0.15	0.15	-	-	-	-	-	-	-	-	0.15	0.15	None
Independent Director	Liu Tian Dao	-	-	-	-	186	186	22	22	0.15	0.15	-	-	-	-	-	-	-	-	0.15	0.15	None
Independent Director	Wei Tsung Te	-	-	-	-	186	186	22	22	0.15	0.15	-	-	-	-	-	-	-	-	0.15	0.15	None

1. Please state the policy, system, standards and structure of remuneration paid to independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: according to the Company's articles of association, if the Company makes a profit in the year, it should allocate 3% to 10% for employee bonus, and no more than 3% for directors' and supervisors' remuneration. The amount of remuneration for directors and supervisors will vary with the pretax profit, which should be reasonable.
2. Unless disclosed above, the Directors of the most recent year received remuneration for providing services (e.g. serving as a non-employee consultant) to the companies listed in this financial report: None.

Note: The net income after tax on the Company's Individual Financial Statement was NT$135,985 thousand in 2019.

Table of Remuneration Ranges

<table>
<tr><td rowspan="3">Table of Remuneration Ranges for Directors</td><td colspan="4">Name of Director</td></tr>
<tr><td colspan="2">Total remunerations from A to D (A+B+C+D)</td><td colspan="2">Total remunerations from A to G (A+B+C+D+E+F+G)</td></tr>
<tr><td>The Company (Note 8)</td><td>All companies included in the financial statements (Note 9) H</td><td>The Company (Note 8)</td><td>All companies listed in the financial report (Note 9) I</td></tr>
<tr><td>Less than NT$1,000,000</td><td>Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)
Shen Li Ping (Representative of Yuang Ding Investment Co,Ltd)
Liu Tian Dao, Wei Tsung Te</td><td>Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)
Shen Li Ping (Representative of Yuang Ding Investment Co,Ltd)
Liu Tian Dao, Wei Tsung Te</td><td>Shen Li Ping (Representative of Yuang Ding Investment Co,Ltd)
Liu Tian Dao, Wei Tsung Te</td><td>Shen Li Ping (Representative of Yuang Ding Investment Co,Ltd)
Liu Tian Dao, Wei Tsung Te</td></tr>
<tr><td>NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)</td><td>Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd)</td><td>Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd)</td><td>Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd)</td><td>Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd)</td></tr>
<tr><td>NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)</td><td>—</td><td>—</td><td>Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)</td><td>Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)</td></tr>
<tr><td>Total</td><td>5 persons</td><td>5 persons</td><td>5 persons</td><td>5 persons</td></tr>
</table>

Note 1. The names of Directors shall be listed separately (names of corporate shareholders and representatives shall be listed separately), general directors and independent directors shall be listed respectively, and the payment amounts shall be disclosed collectively. This table and the following table 2 and 3 shall be filled if a Director concurrently serves as the General Manager or Vice President.

Note 2. Remunerations paid to Directors in 2019 (including salaries, job allowances, severance pay, bonuses, and performance fees).

Note 3. The amount of the remuneration paid to directors in 2019 as approved by the Board of Directors shall be filled out.

Note 4. Business expenses paid out to Directors in 2019 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits.

Note 5. Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by Directors who concurrently serve as employees (including General Manager, Vice President or other managerial officers and employees) in 2019. In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits. Any salary listed under IFRS 2 Share-Based Payment, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included in compensations.

Note 6. For Directors who concurrently serve as employees (including President, Vice President, other managerial officers, and employees) and receive remuneration of employees (including stock and cash) in 2019, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3.

Note 7. Total remunerations in various items paid out to the Company's Directors by all companies (including the Company) listed in the consolidated financial statement shall be disclosed.

Note 8. The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to each Director by the Company.

Note 9. Total remunerations in various items paid out to the Company's Directors by all companies (including the Company) listed in the consolidated financial statement shall be disclosed in the range of remunerations corresponding to the amount of all remunerations paid to each Director.

Note 10. net profit after tax refers to the net profit after tax of individual or stand-alone financial report in 2019.

Note 11. a. This column should clearly indicate the amount of remuneration received by the directors of the Company invested companies other than the subsidiaries or parent company (if none, please fill in "None").

b. If the Directors of the Company receive remunerations from invested companies other than subsidiarie parent company, the amount of remunerations received by the Directors from invested companies other subsidiaries and parent company shall be combined into Column I of the table for ranges of remunerations this column shall be renamed as "parent company and all invested companies."

c. Remuneration refers to rewards, compensations (including compensation to company employees, Directc Supervisors) and allowances from professional practice received by the Director from other non-subsi companies invested by this Company or parent company for their services as Directors, supervisor managers.

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

(II) Remunerations for Supervisors (Disclosed in table for ranges of remunerations and names of Supervisors)

December 31, 2019; Unit: NT$ '000

Title	Name	Remunerations for Supervisors						Ratio of total remunerations including A, B, and C to net income after tax (%) (Note 8)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 9)
		Remuneration (A) (Note 2)		Compensation (B) (Note 3)		Allowances (C) (Note 4)				
		The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	The Company	All companies listed in this Financial Report (Note 5)	
Supervisor	Hsieh Po Chuan	—	—	185	185	22	22	0.15	0.15	None
Supervisor	Liu Shu Liang	—	—	185	185	22	22	0.15	0.15	None
Supervisor	Chen Hung Yi	—	—	185	185	22	22	0.15	0.15	None

Note: The net income after tax on the Company's Individual Financial Statement was NT$135,985 thousand in 2019.

Table of Remuneration Ranges

Table of Remuneration Ranges for Supervisors	Name of Supervisor	
	Sum of A to C (A+B+C)	
	The Company (Note 6)	All companies in the Consolidated Financial Statements (Note 7) D
Less than NT$1,000,000	Hsieh Po Chuan Liu Shu Liang Chen Hung Yi	Hsieh Po Chuan Liu Shu Liang Chen Hung Yi
Total	3 persons	3 persons

Note 1. The names of Supervisors shall be listed separately (names of corporate shareholders and representatives shall be listed separately), and the payment amounts shall be disclosed collectively.

Note 2. Note 2: Remuneration to supervisors in 2019 (including salary, additional pay, severance pay, bonuses and rewards).

Note 3. Note 3: Remunerations paid to Supervisors as approved by the Board of Director's meeting in 2019.

Note 4. Note 4: Business expenses paid out to Supervisors in 2019 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits.

Note 5. Note 5: Total remunerations in various items paid out to the Company's Supervisors by all companies (including the Company) listed in the consolidated financial statement shall be disclosed.

Note 6. Note 6: The name of each Supervisor shall be disclosed in the range of remunerations corresponding to the amount of all the remuneration paid to each Supervisor by the Company.

Note 7. Note 7: Total remunerations of various items paid to every Supervisor of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the Supervisor shall also be disclosed in the proper remuneration range.

Note 8. Note 7: Net income after tax refers to net income after tax listed in the individual or stand-alone financial statements in 2019.

Note 9. a. This column shall clearly indicate the amount of remuneration received by the Company's supervisor from the invested companies other than subsidiaries or parent company (if none, please fill in "None").

b. If a Supervisor of the Company receives remunerations from invested companies other than subsidiaries and parent company, the amount of remuneration received by the Supervisor from invested companies other than subsidiaries and parent company shall be combined into Column D of the table for ranges of compensations, and this column shall be renamed as "parent company and all invested companies."
c. Remunerations refer to rewards, compensations (including compensations for company employees, Directors or Supervisors) and allowances from professional practice received by the Supervisor from other non-subsidiary companies invested by the Company and parent company for their services as Directors, Supervisors, or managers.

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

(III) Remuneration of the General Manager and Deputy General Manager (disclosure of name by summarizing the corresponding level)

December 31, 2019; unit: NT$ '000

Title	Name	Pay (A) (Note 2) – The Company	Pay (A) (Note 2) – All companies in the Consolidated Financial Statements (Note 5)	Severance Pay (B) – The Company	Severance Pay (B) – All companies in the Consolidated Financial Statements (Note 5)	Bonuses and allowances (C) (Note 3) – The Company	Bonuses and allowances (C) (Note 3) – All companies in the Consolidated Financial Statements (Note 5)	Profit-sharing employee bonus (D) (Note 4) – The Company – Cash Amount	Profit-sharing employee bonus (D) (Note 4) – The Company – Stock Amount	Profit-sharing employee bonus (D) (Note 4) – All companies listed in this Financial Report (Note 5) – Cash Amount	Profit-sharing employee bonus (D) (Note 4) – All companies listed in this Financial Report (Note 5) – Stock Amount	Ratio of the total of 4 items A, B, C and D to net income after tax (Note 8) – The Company	Ratio of the total of 4 items A, B, C and D to net income after tax (Note 8) – All companies listed in this Financial Report (Note 5)	Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in or parent company (Note 9)
General Manager	Cheng Ming Lung	6,065	6,065	0	0	0	0	424	0	424	0	4.77	4.77	None
Deputy General Manager	Lu Shan Feng													
Assistant Manager	Wu Shu Yi													

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

Note: The net income after tax on the Company's Individual Financial Statement was NT$135,985 thousand in 2019.

Table of Remuneration Ranges

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

Note 1. President shall be separately listed while remunerations may be disclosed collectively. This table and the table above (1) shall be filled if a Director concurrently serves as the General Manager or Vice President.

Note 2. Note 2: Please specify the salaries, duty allowances and severance pay paid to the General Manager and Deputy General Manager in 2019.

Note 3. Note 3: Cash and non-cash remunerations to the General Manager and Vice Presidents in 2019, including bonus, reward, reimbursement of expenses, special allowances, various subsidies, housing and use of vehicle. In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits. Any salary listed under IFRS 2 Share-Based Payment, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included in compensations.

Note 4. Note 4: For employee bonus (including stock and cash dividends) received by the General Manager and Vice President in 2019, the amount of employee bonus allocations approved by the Board meeting in the most recent year shall be disclosed. If such remunerations cannot be estimated, an estimation for this year shall be calculated in proportion of the remunerations paid last year, and Table 1-3 shall be filled out.

Note 5. Note 5: The total amount of the remuneration of all the companies (including the Company) in the combined report to the General Manager and Deputy General Manager of the company should be disclosed.

Note 6. Note 6: The name of each General Manager and Vice President shall be disclosed in the range of remunerations corresponding to the amount of all the remunerations paid to each General Manager and Vice President by the Company.

Note 7. Note 7: Total remunerations of various items paid to every General Manager and Vice President of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the General Manager and Vice President shall also be disclosed in the proper remuneration range.

Note 8. Note 7: Net income after tax refers to net income after tax listed in the individual or stand-alone financial statements in 2019.

Note 9. a. This column shall clearly indicate the amount of remuneration received by the General Manager and Deputy General Manager of the Company from the invested companies other than subsidiaries or parent company (if none, please fill in "None").

b. If the president and vice presidents of the Company receive remuneration from invested companies other than subsidiaries or parent company, the remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to Parent Company and All Invested Companies."

c. Remuneration in this case refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances received by the president and vice presidents of the Company as the directors, supervisors, or managerial officers of invested companies other than subsidiaries or parent company.

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

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

As of December 31, 2019; Unit: NT$ '000

	Title	Name	Stock amount	Cash amount	Total	Percentage of total compensations on the net income after tax (%)
Manager	General Manager	Cheng Ming Lung	0	565	565	0.42
	Deputy General Manager	Lu Shan Feng				
	Assistant Manager at Finance Department	Wu Shu Yi				
	Manager at Logistics Department	Hsu Hao				
	Manager in Store Development Department	Sung Chao Feng				

Note 1. Name and title of each individual shall be disclosed, yet the earnings distribution may be disclosed in consolidated form.

Note 2. Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. Net income after tax refers to the net income after tax from the most recent year. In case IFRS has been adopted, net income after tax refers to the net income after tax in the Individual Financial Statements of the most recent year.

Note 3. Pursuant to Directive Letter No. 0920001301 from the Securities and Futures Bureau on March 27, 2003, the applicable scope for managers includes the following:
(1) General Manager and its equivalent;
(2) Vice President and its equivalent;
(3) Assistant Manager and its equivalent
(4) Finance Manager
(5) Accounting Manager
(6) Other persons with the rights to manage Company tasks and signage rights

Note 4. In case Directors, General Manager or Vice President have received employee bonus (including stock and cash dividends), this table shall also be filled on top of Table 1-2.

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

Title	2018				2019			
	Total compensations (in NT$1,000)		Percentage on the net income after tax (%)		Total compensations (in NT$1,000)		Percentage on the net income after tax (%)	
	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements
Director	6,005	6,005	5.68	5.68	7,276	7,276	5.34	5.34
Supervisor	525	525	0.51	0.51	621	621	0.45	0.45
General Manager and Vice President	4,178	4,178	3.94	3.94	6,489	6,489	4.77	4.77

Note: Net income after tax refers to net income after tax on the 2019 and 2018 financial statements.

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

IV. Status of Corporate Governance

(I) Functions of the Board: Up to the date of publication of this Annual Report, the Board of Directors has convened 6 and 2 meetings in the most recent year (2019) and in 2020, respectively. Therefore, the Board has convened 8 meetings total with the following attendance from Directors and Supervisors:

Title	Name (Note 1)	Actual attendance (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note 2)	Remark
Chairman	Jun Wei Investment Co., Ltd Representative: Liu Yu Teng	7	1	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Director	Zhen Han Investment Co., Ltd Representative: Cheng Ming Lung	8	0	100.00%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Director	Yuang Ding Investment Co,Ltd Representative: Shen Li Ping	7	0	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Independent Director	Liu Tian Dao	8	0	100.00%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Independent Director	Wei Tsung Te	8	0	100.00%	Attendance required: 8 times; newly appointed; Date of re-election: June 23, 2017
Supervisor	Liu Shu Liang	3	0	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Hsieh Po Chuan	3	0	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Chen Hung Yi	7	0	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017

Other required disclosure:

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

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

Date	Number of meeting	Content of proposal	All Independent Directors' opinion and the reaction toward Independent Directors' opinions by the Company shall be specified
2019.01.02	11th Meeting of the 2nd Board of Directors	The Company's proposal to obtain trademark and transfer of franchise contract of Prohealthcare Franchise from Maywufa Company Limited.	Passed by all Independent Directors without dissent.

2019.03.28	12th Meeting of the 2nd Board of Directors	To amend some of the articles in Company's "Articles of Incorporation"	Passed by all Independent Directors without dissent.
		The Company's proposal to reinvest surplus and issuance of new shares	Passed by all Independent Directors without dissent.
		To amend some of the articles in the Company's "Procedures for Loaning of Funds"	Passed by all Independent Directors without dissent.
		To amend some of the articles in the Company's "Procedures for Providing Endorsements/Guarantees"	Passed by all Independent Directors without dissent.
2019.08.13	15th Meeting of the 2nd Board of Directors	Motion to issue employee stock option certificates and regulations governing stock subscriptions for 2019 of this Company.	Passed by all Independent Directors without dissent.
2019.11.11	16th Meeting of the 2nd Board of Directors	List of subscribers and issuance date of employee stock option certificate issued by the company in 2019	Passed by all Independent Directors without dissent.

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

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

(I) 12th Meeting of the 2nd Board of Directors on March 28, 2019
Proposal: Salary adjustments of managers in 2019.
Recusal: As Director Cheng Ming Lung concurrently serves as a manager of the Company, to prevent conflicts of interest, he has sought for recusal before the resolution of the proposal. After the Chair asked all other attending Directors to express their opinion and to discuss the proposal, it was passed without dissent.

(II) 16th Meeting of the 2nd Board of Directors on November 11, 2019
Proposal: (a) Distributions of managers' year-end bonus.
(b) List of subscribers and issuance date of employee stock option certificates issued by the Company in 2019.
Recusal: As Director Cheng Ming Lung concurrently serves as a manager of the Company, to prevent conflicts of interest, he has sought for recusal before the resolution of the proposal. After the HR supervisor on behalf of the Chair asked all other attending Directors to express their opinion and to discuss the proposal, it was passed without dissent.

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

Evaluation cycle	Period of Evaluation	Scope	Evaluation methods	Assessment Content
Executed every year	From 2019/1/1 to 2019/12/31	Performance evaluation of Board of Directors, individual directors and functional committee	Internal self-evaluation of Board of Directors, self-evaluation of board members and peer evaluation	(1) Performance evaluation of the Board of Directors: at least including the degree of participation in the operation of the Company, the quality of decision-making of the Board of Directors, the composition and structure of the Board of Directors, the selection and continuous learning of directors, internal control, etc. (2) Performance evaluation of individual directors: at least include the knowledge about the Company's objectives and tasks, the understanding of director liabilities, the participation in the Company's operations, the internal relationship management and communication, the specialty and further study of directors and internal control.

				(3) Performance evaluation of functional committee: the degree of participation in the company's operation, the cognition of the responsibilities of the functional committee, the quality of decision-making of the functional committee, the composition and selection of members of the functional committee, internal control, etc.

IV. Measures taken to strengthen the functions of the Board (for example, establishing an Audit Committee and enhancing information transparency) for the current year and the most recent year and the implementation:
(I) In terms of strengthening functions of the Board: the Company has established the "Rules of Procedure for Board of Directors Meetings" and "Self-Evaluation or Peer Evaluation Methods of the Board of Directors," and subsequent operations, evaluation, and assessment of the Board will be handled in accordance with relevant rules.
(II) (二) In terms of enhancing information transparency: the Company has set up a spokesperson and a deputy spokesperson to answer external inquiries. In addition, the Company has set up a corporate website (www.greattree.com.tw) which encompasses: corporate governance, company organization, financial information, shareholders' section, and stakeholders' section.

Note 1. In case Directors or Supervisors are judicial persons, the name of the corporate shareholder and the name of its representative shall be disclosed.

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

(II) Supervisors' participation in the Board meeting: In the most recent year (2019) and 2020 as of the publication of this Annual Report, the Board has convened 6 and 2 meetings respectively. Therefore, the Board has convened 8 meetings in the most recent year (A) with the following attendance:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A) (Note)	Remark
Supervisor	Liu Shu Liang	3	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Hsieh Po Chuan	3	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Chen Hung Yi	7	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017

Other required disclosure:
I. Formation and duties of Supervisors:
(I) Communications between the Supervisors and the Company staff and shareholders: channels of communication are established through the Company website, telephone, and fax.
(II) Communication between the Supervisor and the internal audit manager or CPAs (shall include material matters, methods, and results of communication on the finances and state of business of the Company):

1. Supervisors have no objection to the audit report submitted by the audit department of audit items to Supervisors in the next following month after the audit is completed.
2. Audit manager attends regular Board meetings, where he/she reports about audit tasks, and to which Supervisors have had no objections.
3. Summary of previous communication between Independent Directors, Supervisors, the Chief Audit Executive and CPAs:

Date	Location	Content of the communication	Results
2019.03.28	Meeting room of the Company	1. The CPAs' communication with the corporate governance unit on the 2018 consolidated financial report 2. General audit report	Independent Directors and Supervisors have no objection to the content of the report.
2019.08.13	Meeting room of the Company	1. The CPAs' communication with the corporate governance unit on the consolidated financial report of the first half of 2019 2. General audit report	Independent Directors and Supervisors have no objection to the content of the report.
2020.03.09	Meeting room of the Company	1. CPAs' communication with corporate governance units on the consolidated financial report of 2019 2. Update of Securities Regulatory Act 3. Update of Tax Act 4. General audit report	Independent Directors and Supervisors have no objection to the content of the report.

II. If Supervisors who attend the Board Meetings need to make statements, they shall specify the date of the Board Meeting, the number of the term, the content of the proposal, resolution of the meeting and the follow-up procedure of the Company toward the statements: None.

Note:

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

(III) Implementation of Corporate Governance and the Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	Yes		To establish a fair corporate governance system, the Company's Board of Directors has already approved of and implemented "Corporate Governance Best Practice Principles" on March 20, 2015.	No major deviations.
II. Shareholding structure and shareholders' rights				
(I) Does the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	Yes		(I) The Company has established a set of "Rules of Procedure for Shareholders' Meeting" and has also established a spokesperson and deputy spokesperson system in accordance with related laws. Designated personnel are set up to handle investor relations and problems related to shareholders.	No major deviations.
(II) Does the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	Yes		(II) The Company designates the share transfer agency to regularly update the list of substantial shareholders and register of substantial shareholders to fully understand the register of persons exercising ultimate control over the equity of the Company.	No major deviations.
(III) Does the company establish and enforce risk control and firewall systems with its affiliated businesses?	Yes		(III) Various financial and business dealings between the Company and its related entities are based on the principle of being mutually independent, and management procedures of transactions with the parent company has been established on top of relevant management rules including "Transaction Procedures for Related Parties, Specific Companies, and Group Enterprises."	No major deviations.
(IV) Does the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	Yes		(IV) The Company has established "Procedures for Ethical Management and Guidelines for Conduct" and "Management Procedures to Prevent Insider Trading." Internal personnel are required to abide by related laws and internal procedures, and shall not utilize information undisclosed to the public toward insider trading or to reveal such information to prevent others from utilizing such information toward insider trading.	No major deviations.
III. Composition and Responsibilities of the Board of Directors				
(I) Does the Board of Directors establish diversification for the composition of the Board of Directors and implement such rules accordingly?	Yes		(I) The members of the Board are elected from fair, just, and open election procedures, and nominees are chosen from among nominees with suitable backgrounds, industries, or relevant professional knowledge and experience. The Company also actively considers nominees who can bring diversified backgrounds and perspectives. So that the members of the Board may maintain adequate boundaries and balance between skills, experiences, knowledge, and characters.	No major deviations.
(II) In addition to setting up Remuneration Committee and Audit Committee pursuant to the law, does the company voluntarily set up other functional committees?		No		

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(III) Does the Company establish the performance evaluation method and evaluation method for the Board of Directors, conduct performance evaluation annually and regularly, and submit the results of performance evaluation to the Board of Directors, and apply them to the reference of salary and remuneration of individual directors and nomination for renewal? (IV) Does the company regularly implement assessments on the independence of CPA?	Yes Yes		(II) The Company will establish other functional committees based on actual operating needs in the future. (III) The Company has established "Self-Evaluation or Peer Evaluation Methods of the Board of Directors" on March 20, 2015 and carries out relevant evaluations based on these rules on an annual basis. Currently, Directors will conduct self-evaluation then receive anonymous evaluation from their peers at the end of the year, and results of which will be used toward performance review. (IV) In accordance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Company submits to the Board of Directors to evaluate the independence of CPAs every year. The financial department of the meeting unit first formulates the evaluation contents on Article 47 of the Certified Public Accountant Act and Bulletin No. 10 of the Code of Professional Ethics for CPAs. The appointed CPAs Luo Xiao Jing and Zheng Qing Biao of Ernst & Young in 2018 and 2019 are in line with the Company's independence evaluation standard, and the independence statement issued by Ernst & Young has been obtained and respectively submitted to the Board of Directors on March 28, 2019 and March 9, 2020, and they are qualified to serve as the Company's CPAs.	Explanation on the left (2) No major deviations. No major deviations.
IV. Is the listed and OTC company equipped with competent and appropriate number of corporate governance personnel, and designated corporate governance supervisor to be responsible for corporate governance related matters (including but not limited to providing data required by Directors and Supervisors to carry out business, assisting Directors and Supervisors to comply with laws and regulations, managing meeting related matters of the Board of Directors and shareholders' meeting in accordance with laws, making minutes of the Board of Directors and shareholders' meeting, etc.)?	Yes		Upon resolution from the Board meeting on March 28, 2019, the Company has designated Assistant Manager Wu Shu Yi from Finance Department to serve as the Company's corporate governance personnel to protect the rights and interests of shareholders and to strengthen the functions of the Board. Assistant Manager Wu Shu Yi has more than 5 years of work experience in management functions including accounting and finance in a publicly listed company, and her major functions include providing Directors (including Independent Directors) and Supervisors with information needed to fulfill their duties, assisting Directors (including Independent Directors) and Supervisors in legal compliance, and processing tasks related to Board meetings and Shareholders' Meetings in accordance with the laws.	No major deviations.
V. Whether the company has established channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers), and opened a stakeholders section on the company's website, and responded appropriately to stakeholders' interests/concerns regarding corporate social responsibility.	Yes		Founded on our respect for stakeholders' interests, the Company has identified relevant stakeholders and understood the reasonable expectations and needs from stakeholders through appropriate means of communications and stakeholder participation. We have established a corporate website in Chinese to fully disclose relevant information such as Company finances, as well as set up an Investors' section to disclose relevant information (www.greattree.com.tw/know.aspx?d=7).	No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			We have also appropriately responded to material CSR topics of concern to the stakeholders, and each department has been designated with communications with relevant stakeholders: (I) Shareholders and investors 1. A Shareholders' Meeting is convened in each year and resolutions for proposals are achieved through vote one by one. Shareholders can also exercise their voting rights through electronic voting to fully participate in the process of proposal resolution. 2. Annual Report for the Shareholders' Meeting is prepared in each year, and Investor Conference is held from time to time in each year to report on Company operating status to facilitate in investors' decision-making. 3. Revenues from the previous month is announced on the MOPS and the Company website on a monthly basis. (II) Employee Employee relations conference is held regularly, and store manager meeting is convened along with educational training in each month. (III) Customers and consumers Consumers can join the Company's membership to receive members' privileges and to immediately provide relevant feedback and opinions for revisions to store personnel while shopping. They can also provide concerns and feedback to the Company via customer service hotline. (IV) Suppliers The Company ensures that suppliers are in full compliance with national laws regarding human rights, environmental protection and food safety through visits and organizing supplier evaluation and review, and that suppliers do not use child labor or abnormal materials during production processing, thus helping to supervise and assist suppliers to strengthen compliance to various laws.	
VI. Has the Company appointed a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	Yes		The Company has appointed the Share Administration Agency of Taishin International Bank to manage its share transfer tasks and Shareholders' Meeting.	No major deviations.
VII. Information disclosure and announcement (I) Does the company establish a corporate website to disclose information regarding its financials, business, and corporate governance status? (II) Does the company use other information disclosure	Yes Yes		(I) The Company has established a corporate website, which contains an Investors section, where the shareholders and investors may inquire information on the Company's financial status and corporate governance. (http://www.greattree.com.tw/)	No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (III) Does the Company announce and report the financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second and third quarters and the operation of each month in advance before the specified time limit?			(II) The Company is currently constructing an English-language website, and designated personnel are responsible for collecting and disclosing Company information and to timely update the information on Investors section on the website. To ensure information intended for the public can be immediately and accurately disclosed, the Company has appointed General Manager Cheng Ming Lung as the spokesperson, and Assistant Manager Wu Shu Yi as the deputy spokesperson who will both represent the Company externally. In case the Company organizes Investors Conference, any briefing or audio-visual information will be disclosed on the Investors section on the Company website. (III) The Company is in the retail channel industry. Due to the distribution of franchised stores all over the country, there are still time differences in response to the financial information of each store, so it is unable to announce and report the financial report within two months after the end of the fiscal year or before the specified period.	No major deviations. We will integrate the group's financial and accounting work and discuss the audit schedule with the CPAs.
VIII. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for its Directors)?	Yes		(I) Employee rights: the Company's operations are in line with rules from the Labor Standards Act. Please see Chapter V. Operations Overview - Labor Management Relations for relevant employee benefit measures, studies and training, and pension system. (II) Employee wellness: the Company is committed to providing a safe and healthy work environment for employees, and regularly organizes company-wide employee health checkup in each year to protect the health and wellness of all employees. (III) Investors relations: in addition to disclosing Company operations or financial information on the MOPS in accordance with the law, the Company has also established a point of contact for investors relations to be responsible for information disclosure and maintenance of investor relations to enhance Company transparency. (IV) Suppliers relations: the Company continues to promote "traceability management" and requires suppliers to provide inspection reports to guarantee that their products are in compliance with relevant laws and regulations. (V) Rights of stakeholders: the Company has set up online announcement procedures for public information announcement, and has designated personnel to be responsible for collection and disclosure of Company information to ensure that information that may affect shareholders' and	No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			stakeholders' decision-making can be disclosed on a timely and appropriate basis. (VI) Directors and Supervisors' training records: the Company's Directors and Supervisors are all equipped with relevant professional knowledge and have taken continuing studies courses in accordance with relevant laws and regulations. Required hours of such studies have also been met. Please see "MOPS/Corporate Governance/Directors' and Supervisors' attendance of Board meetings and continuing studies" for more details. (VII) Implementation of risk management policies and risk measurement standards: each department of the Company will review each other from time to time and internal auditors will also conduct either scheduled audit or as needed. Finally, Directors' and Supervisors' review are also carried out. In other words, layers of prevention and comprehensive risk control that involves everyone in the organization is adopted. (VIII) Implementation of consumer protection or customer policies: the Company actively collects customer feedback, analyzes customer needs, enhances service quality and proposes suitable solutions, and customer satisfaction is incorporated into ISO standards to strengthen management, enhance efficiency and quality control, and at the same time, an audit and follow-up mechanism has also been established. (IX) Purchasing liability insurance for Directors and Supervisors: the Company has purchased liability insurance for Directors and Supervisors to strengthen the protection of shareholders' interests.	

IX. Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the TWSE and provide priority measures and measures for those who have not yet improved.

The items that the Company did not receive positive scores in the 6th Corporate Governance Evaluation in 2019 and progress of improvement are as follow:

Type of indicator	Item without positive score	Whether improvement has been made	Explanation for improvements yet to come
I. Maintaining shareholders' rights and treating shareholders equally	1.6 Is the annual shareholders' meeting convened before the end of May?	No	
II. Strengthening the structure	2.2 Does the company establish a diversification policy for the	No	The Company has established a diversification policy

Items for evaluation		Yes	No	Summary	Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
and operations of the Board of Directors	composition of its Board of Directors and disclose the implementations of the diversification policy in its corporate website and Annual Report?				of the composition of the Board; nevertheless, members of the current Board of Directors are all male and said policy has not been fully implemented. Therefore, the implementation status has not been disclosed on the Annual Report and website.
	2.6 Does the company's Board of Directors include at least one female Director? (If seats for each gender reaches one-fourth of all seats and includes at least 1 female Independent Director, 1 point will be added to the company's total score.) 】			No	The Company's current Board of Directors are all male and does not have female members.
	2.7 Does the company voluntarily establish more seats of Independent Directors than the minimum required number by the law? (If seats for Independent Directors reaches the majority of all seats of Directors, 1 point will be added to the company's total score.) 】			No	The Company has held re-elections for Directors and Supervisors in 2017, and five seats of Directors (including 2 seats of Independent Directors) and three seats of Supervisors have been set up in accordance with the Company's Articles of Incorporation and relevant laws.
	2.9 Does the company make succession plans for board members and important management, and disclose its operation in the company's website or annual report?			No	The Company has not formulated a clear succession plan.
	2.10 Does the company establish an Audit Committee in accordance with relevant laws? 【If the annual report details the work focus and operation of the Audit Committee, 1 point will be added to the total score. 】			Yes	The Company has not set up an Audit Committee in 2019, which will be set up after the third Board of Directors is fully re elected in 2020.
	2.11 Does the company disclose in detail in its annual report the reasons for discussion and the resolution results of the Remuneration Committee, as well as the company's handling of members' opinions?			Yes	
	2.14 Does the company establish functional committees other than the ones required by laws with no less than three members, and the majority of whom being Independent Directors as well as discloses its composition, function, and operations?			No	The Company has set up Remuneration Committee in accordance with laws, and will establish an Audit Committee in 2020 pursuant to laws and regulations.
	2.22 Are the procedures or methods designed to review the performance of the board of Directors approved by the board, and is self-evaluation conducted at least once in each year and results of which disclosed in the corporate website or Annual Report?			No	The results of the evaluation have not been disclosed on the company website or in the annual report.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	

	2.23 Have the rules adopted by the company for assessing the performance of the Board of Directors been passed by the Board, with the express requirement that an external assessment be carried out at least once every three years, and has it furthermore carried out the assessment within the time limit under its rules, and disclosed the implementation status and assessment results on its website or in its annual report?	No	The results of the evaluation have not been disclosed on the company website or in the annual report.
	2.24 Has the Company established an Information Security and Risk Management framework and defined information security policies and concrete management proposals that are disclosed on the Company's website or annual reports?	No	There is no dedicated unit for information security and risk management.
	2.30 Does at last one internal auditor of the company possess certificates such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), or passed the CPA examination?	No	The Company's internal auditing personnel meet the requirements and qualifications for internal auditing personnel of a TWSE/TPEx company, but certification has not been obtained.
III. Enhancing information transparency	3.2 Does the company simultaneously announce and report material information in English?	No	Internal and external resources needed in preparing material information announcement in English is not yet ready.
	3.4 Does the company announce its annual financial reports within two months after the ending of a fiscal year?	No	
	3.6 Does the corporate website or MOPS disclose mid-year financial reports (including financial statements and notes to financial statements) in English?	No	Internal and external resources needed in preparing English version of the mid-year financial statements is not yet ready.
	3.8 Does the company voluntarily announce quarterly financial forecast report and relevant procedures have not had corrections from competent authority, and/or marked for deficiencies from the TWSE or TPEx?	No	The Company does not voluntarily provide financial forecast report.
	3.14 Does the company's Annual Report disclose correlations between performance evaluation of Directors and their remunerations?	No	
	3.18 Does the company establish a corporate website in the English language which includes finance, business, and governance related information?	No	The Company has not yet completed internal and external resources needed in producing an English version of its website.
	3.21 Does the annual report of the company disclose the individual remuneration of the general manager and the deputy general manager?	No	
IV. Fulfilling corporate social	4.1 Does the company establish appropriate governance structure to	No	The Company has yet to set up a CSR unit.

Items for evaluation		State of Operations: Yes	State of Operations: No	State of Operations: Summary	Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
responsibility	establish and review CSR policy, system, or relevant management objectives and discloses such information on its Annual Report and corporate website?				
	4.2 Has the company established a/an dedicated (adjunct) unit for promoting ethical corporate management and corporate social responsibilities, and discloses in its annual reports and company website the operation and implementation of the said unit, and reports regularly to the Board of Directors?		No	The Company has yet to set up a CSR unit.	
	4.3 Does the company regularly disclose action plans to promote CSR and results of such implementations on its Annual Report and website?		No	The Company has yet to set up a CSR unit.	
	4.4 Did the company, following internationally recognized guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? 【If the company voluntarily prepared and published such reports, one additional point will be added to the total score. 】	Yes		The Company has voluntarily prepared the corporate social responsibility report of 2018, but it has not been prepared in accordance with the latest GRI standards and failed to score, which will be improved in the next year.	
	4.5 Has the company's reports designed to disclose the company's non-financial information such as the CSR Report received third-party verification?		No	The Company has voluntarily prepared the 2018 CSR Report, but has not received third-party verification.	
	4.6 Does the company refer to international human rights conventions, formulate human rights protection policies and specific management plans, and disclose them on the company's website or annual report?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.7 Does the company sign collective bargaining or agreement with its labor union pursuant to the Collective Agreement Act?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.11 Does the company disclose its annual emission volume of carbon dioxide or other greenhouse gas (GHG) over the past two years? (If external assurance has been achieved, 1 point will be added to the company's total score.) 】		No	Currently, the Company does not have sufficient internal or external resources to disclose annual emissions of CO_2 or other GHG.	
	4.12 Does the company establish energy conservation and carbon reduction, GHG reduction, water consumption reduction or other waste management policy? 【If climate change issues are included in the risk management process, another point will be added to the total score. 】		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	

Items for evaluation		State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Summary	
	4.13 Has the company received ISO 14001, ISO 50001 or similar environmental or energy management system certification?	No		Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.15 Does the company website or Annual Report disclose the ethical management policy it has established, specifies the practices and plans for prevention of dishonest conducts?	No		Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.17 Does the company's website or corporate social responsibility report disclose the supplier management policies formulated, require suppliers to follow relevant specifications on environmental protection, safety or health issues, and explain the implementation?	No		Currently, the Company does not have sufficient internal or external resources to achieve this goal.	

(IV) Composition, duties, and operations of the Remuneration Committee:

1. Composition of the Remuneration Committee: upon resolution from the Board meeting on November 9, 2017, the Company has appointed Independent Director Liu Tian Dao, Independent Director Wei Tsung Te, and Mr. Hsu Ming Yang as members of the 2nd term of the Remuneration Committee, and nominated Independent Director Liu Tian Dao to serve as the Convener and Chair of the Remuneration Committee. Information on committee members is as follows:

Title (Note 1)	Conditions / Name	Has more than 5 years of work experience and the following professional qualifications			Complies with terms for independence (Note 2)										Number of other public companies where the individual concurrently serves as a member of the Remuneration Committee	Remark
		Instructor or above in public/private university /college in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	A judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in business administration, law, finance, accounting, or another discipline relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10		
Independent Director	Liu Tian Dao	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	–
Independent Director	Wei Tsung Te	✓	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	–
Other	Hsu Ming Yang	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	–

Note 1. Please write either Director, Independent Director or Other in this column.

Note 2. For any committee member who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [ü] sign in the field next to the corresponding conditions.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (Not applicable in cases where the person is an independent director of the company, its parent company, or any subsidiary, or a subsidiary of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person’s spouse, minor children, or in the name of others.

(4) Not a spouse, second degree relatives or third degree relatives of the managers listed in (1) or personnel listed in (2) or (3).

(5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the company, holds the top five shares, or designates a representative as a director or supervisor of the company in accordance with Article 27, Paragraph 1 or Paragraph 2 of the Company Act (except that if the independent directors of the company and its parent company, subsidiary or subsidiary of the same parent company set up in accordance with this law or the laws and regulations of the country in which the company is located concurrently serve as a director, supervisor or employee of the company).

(6) Not a director, supervisor or employee of another company controlled by the same person for more than half of the directors or the shares with voting rights of the company (except for the independent directors of the company or its parent company, subsidiary or subsidiary of the same parent company set up in accordance with this law or the laws and regulations of the country in which the company is located concurrently serve as a director, supervisor or

employee of the company).

(7) Not a director, supervisor or employee of another company or institution that is the same person or spouse as the chairman, general manager or equivalent position of the company (except for the independent directors of the company or its parent company, subsidiary or subsidiary of the same parent company set up in accordance with this law or the laws and regulations of the country in which the company is located concurrently serve as a director, supervisor or employee of the company).

(8) Not directors, supervisors, managers or shareholders holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company (but if a specific company or institution holds more than 20% of the total issued shares of the company, no more than 50% of the total issued shares of the company, and the person is an independent director set up by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or the laws and regulations of the country in which the company is located, this restriction shall not apply to those who act concurrently for the post).

(9) Not professionals, sole proprietors, partnerships, business owners, partners, directors, supervisors, managers and spouses of companies or institutions that provide audit services for companies or affiliates or whose cumulative amount of remuneration in the past two years does not exceed NT$500,000 for business, legal affairs, finance, accounting and other related services. However, members of the Remuneration Committee, Public Acquisition Review Committee, or Merger and Acquisition Special Committee who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

(10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Duties of the Remuneration Committee: Pursuant to Article 7 of the Company's "Remuneration Committee Charter," the Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.
   (1) Establishing and periodically reviewing the annual and long-term performance goals for the Directors, Supervisors, and managerial officers of the Company and the policies, systems, standards, and structure for their compensation.
   (2) Establishing and periodically reviewing the compensations for Directors, Supervisors, and managerial officers.
3. Operations of the Remuneration Committee:
   (1) The Company's Remuneration Committee consists of three (3) members.
   (2) Term of office of the current Committee: from November 9, 2017 to June 22, 2020. In the most recent year (2019) and in 2020 as of the publication of this Annual Report, the Remuneration Committee has convened 2 and 1 meetings, respectively. Hence, in the most recent year the Remuneration Committee has convened 3 meetings (A), and qualifications and attendance of its members are as follow:

Title	Name	Attendance in Person (B)	Times of proxy attendance	Attendance Rate (%) (B/A)	Remark
Convener	Liu Tian Dao	3	0	100.00%	Re-appointed, date of re-election: June 23, 2017
Member	Wei Tsung Te	3	0	100.00%	Re-appointed, date of re-election: June 23, 2017
Member	Hsu Ming Yang	3	0	100.00%	Re-appointed, date of re-election: June 23, 2017

Other required disclosure:

I. If the Board of Directors chooses not to adopt suggestions proposed by the Remuneration Committee, the date of the Board meeting, session, contents discussed, resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail: None.

II. For the decisions made by the Remuneration Committee, if there are documented records of members who veto or withhold from expressing the comment, the date, term, agenda, all members' comments, and the measures for handling these comments shall be elaborated: None.

III. The Remuneration Committee shall exercise the due care of a good administrator and perform the following duties abide by its obligations and rights:

1. Regularly review the Organizational Procedures and propose amendments.
2. Establishing and regularly reviewing the annual and long-term performance targets and compensation policies, systems, standards and structures of the Directors, Supervisors, and managers of the Company.
3. Regularly evaluating the performance targets of the Company's Directors, Supervisors and managers, and establishing the content and amount of their remuneration.

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

1. March 28, 2019 the 5th meeting of the 2nd Remuneration Committee

Proposal:	(a) amendment of the partial articles of association of the Company. (b) Proposal for the distribution of the remuneration to employees and Directors for 2018. (c) Salary adjustments of managers in 2019.
Resolution result:	all the members of the Remuneration Committee passed the resolution without objection.

2. November 28, 2019 the 6th meeting of the 2nd Remuneration Committee

Proposal:	(a) Review the annual performance bonus distribution plan of the Company's managers. (b) Remuneration distribution of Directors and Supervisors of the Company in 2018. (c) List of subscribers and issuance date of employee stock option certificate issued by the company in 2019.
Resolution result:	all the members of the Remuneration Committee passed the resolution without objection.

3. March 9, 2020 the 7th meeting of the 2nd Remuneration Committee

Proposal:	(a) Distribution of employees' bonus and directors' remuneration in 2019. (b) Amended certain articles of the "Remuneration Committee Charter". (c) Appointment and salary classification of senior executives of the Company.
Resolution result:	all the members of the Remuneration Committee passed the resolution without objection.

(V) Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
I. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies? (Note 3)	Yes		The Company has formulated the "Corporate Social Responsibility Best Practice Principles," which emphasize the fulfillment of Corporate Social Responsibility, economic, environmental, and social advancement, and sustainable development through ethical management. When pursuing the sustainable development and profitability, the Company takes into account environmental, social, and corporate governance factors and incorporates them into the management and operation. The management department is responsible to arrange every department to implement corporate governance, employee rights, environmental protection, and social engagement.	No major deviations.
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	Yes		In terms of functions by department, the Company's Administrative Department is involved in CSR tasks, and is responsible for coordinating and planning promotions of CSR such as donations and environmental protection tasks. Subsequently, relevant departments and units will carry out the relevant actions and report their implementation results to the Board of Directors from time to time.	No major deviations.
III. Environmental Issues				
(I) Has the company set an environmental management system designed to fit the characteristics of its industry?	Yes		(I) The Company operates in the drugstore retail channel and does not have production processes which produce pollutants such as wastewater or gases. Hence, the Company's actions toward environmental protection are decent.	No major deviations.
(II) Is the company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	Yes		(II) In response to paperless procedures, the Company has enhanced operational efficiency and continued to promote online-based platform for its purchases. Systematic implementation has been adopted to replace paper-based documents between front and backend, and e-invoice has been promoted in various stores.	No major deviations.
(III) Has the company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?	Yes		(III) The Company pays attention to and evaluates the risks and threats of climate change to present and future supply, and expects suppliers to provide substitutes or other new technologies in response.	No major deviations.
(IV) Has the company the calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?	Yes		(IV) The main greenhouse gases produced in the Company's operation site are due to the use of lighting and air conditioning. The Company's policy is to require the store colleagues to adjust the opening and temperature of air conditioning in time, install variable frequency air	No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
			conditioning devices and make good use of fans for energy conservation. In terms of lighting, T5 lamps are replaced in succession to reduce carbon emission. The purchase of relevant PP&E will be based on the purchase of environmental protection and energy conservation standards and other products, so as to reduce the impact of climate change on business activities.	
IV. Social Issues (I) Has the company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?	Yes		(I) The Company has established the "Employee Work Rules" and relevant HR Management Regulations pursuant to the Labor Standards Act. To protect employees' rights and to respect internationally-recognized basic labor and human rights, the Company has established appropriate management methods and procedures to avoid any occurrence of hazards which may infringe the basic rights of workers. In addition, the Company's recruitment policy is based on the Act of Gender Equality in Employment and provides a work environment that is fair, equal, and free from discrimination or harassment to its workers.	No major deviations.
(II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	Yes		(II) The Company has established a performance appraisal method in the salary system, which evaluates the work performance of colleagues according to the Company's operation performance and management status, and adjusts the basic salary regularly according to the department's performance. In addition to adjusting the basic salary and individual performance bonus, the Company recruits and retains the professional talents needed by the Company, and improves the employees' coherence and sense of belonging to the Company. The Company also takes share bonus as a way to share business results with colleagues.	No major deviations.
(III) Does the company provide a safe and health work environment for its employees and regularly implement safety and health education for employees?	Yes		(III) The Company regularly conducts employee health checkup to ensure employee health and well-being. According to the law and regulations of the labor safety, in order to prevent occupational injury, the Company has an overall planning for all safety items such as the inspection required by the occupational safety, and underwrite group insurance for employees, or strengthen the safety and health protection of employees.	No major deviations.
(IV) Has the company established an effective competency development career training program for employees?	Yes		(IV) In addition to the induction training for new employees, the Company implements various on-the-job training according to the department	No major deviations.
(V) Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	Yes			
(VI) Has the company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?	Yes			

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
			and job requirements. The Company has a complete set of education and training plan, and has complete training courses from new employees to store managers and franchised pharmacists, so as to improve the professional medical knowledge and quality of salespersons in the market. (V) The Company's marketing and labeling for products and services are in compliance with relevant laws and standards of the industry. The Company adopts membership system, and relevant consumer rights policies have been clearly stated on the membership application pamphlet, and contents of which are in compliance with legal regulations. In addition, promotional activities are also announced on the Company website and flyers. In case of consumer dispute, consumers can submit grievances to our toll-free hotline at 0800-678-222 and customer mailbox. (VI) The Company's contracts with its major suppliers do not specifically include clauses to terminate the contract at any time should the supplier violate its CSR policy, and poses material influences on the environment and the society. Nevertheless, if such circumstances occur, the Company will choose never to carry out business transactions with suppliers who do not value CSR.	 No major deviations. No major deviations.
V. Did the company, following internationally recognized guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	Yes		The Company has prepared its own corporate social responsibility report and disclosed information related to corporate social responsibility on the Company's website, but the report has not been verified by a third party unit.	No major deviations.
VI. If the company has established its Corporate Social Responsibility Best Practice Principles according to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," please describe the operational status and any deviations: the Company has established a set of "Corporate Social Responsibility Best Practice Principles," and no material deviation is found between current practices and the Principles.				
VII. Other information to facilitate better understanding of the company's implementation of Corporate Social Responsibility: 1. Environmental protection: The Company operates as a medical/pharmaceutical products retail channel and does not have production processes; hence, the Company does not lead to environmental pollution. 2. Social participation, social contribution, community service and social welfare: The Company participates in various educational, social, and cultural activities through donating to social welfare groups, fulfilling our corporate social responsibility. ➢ In 2019, we donated to Cih Yue Charity Foundation and Taishin Charity Foundation to thank the domestic nurses for their hard work and to help care for the				

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
vulnerable groups. ➢ In 2019, the Company contributed toward Luzhu District Volunteer Firemen Office of Taoyuan to replace worn equipment. ➢ In 2019, pharmacists and staff from Zhudong Store continued to care for the needs from residents of remote areas, and organized various health inspection and drug safety promotional activities at Wufeng and Ermei areas. ➢ In 2019, for Matsu's tour around Baishatun, the store partners spontaneously provided devout believers with drinking water and relief supplies, and timely provided professional medical consultation and services. ➢ In 2019, the Group's infant food private brand - Mimi Base donated NT$5 to support the Light Children Association for each box sold, and the Association assisted the critically ill children with various resources for home education. ➢ During each summer and winter break, internship program for Pharmacy majors from various colleges and universities is organized, building a seamless transition for students from internship, employment to entrepreneurship. ➢ Health seminars and mothers' workshops are organized in collaboration with suppliers in each year so that employees and consumers can both receive professional health care information. 3. Consumer rights: The Company has a designated toll-free 0800 customer hotline in charge of receiving customer complaints. 4. Human rights: The Company's employees receive equal treatments in all aspects including gender, religion, and political inclination. In addition, the Company also provides a fair work environment, ensuring employees are free from discrimination and harassment. 5. Safety and health: The Company complies with labor safety and health laws from the government and carries out various health and safety tasks. Relevant details are established in the "Worker Safety and Health Work Rules."				

(VI) Performance of good faith operation and the difference between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons

Item	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons
	Yes	No	Summary	
I. Establishment of Corporate Conduct and Ethics Policy and implementation measures				
(I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	Yes		(I) The Company's highest level of management sees ethical management as a guiding principle, and corporate management is carried out to maximize the greatest interest for shareholders and employees. The Company has established a set of "Procedures for Ethical Management and Guidelines for Conduct," which was approved by the Board of Directors and clearly states the ethical corporate management policy. The Human Resource Department is in charge of establishing and supervising the implementation of the ethical corporate management policy and preventive measures, and regularly reports to the Board of Directors.	No major deviations.
(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	Yes		(II) The Company's work rules regulate that all employees shall conform to the company's good faith business policies and relevant regulations in the process of engaging in business activities, and expressly refuse to directly or indirectly provide, promise, require or accept any improper interests in any form or name.	No major deviations.
(III) Has the company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	Yes		(III) This is carried out in accordance with the Company's "Procedures for Ethical Management and Guidelines for Conduct." The Procedures also clearly states that the Company and its Directors, Supervisors, managerial officers and employees are banned from bribery and accepting bribes as well as prohibited from provision of illegal political contributions. The Company's work rules specifies that all employees are not allowed to have unethical conduct. In addition to regular audits conducted by internal auditors, employees may express their opinions or complaints with the HR or management directly.	No major deviations.

Item	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons
	Yes	No	Summary	
II. Implementing integrity operation				
(I) Has the company assessed the integrity records of its transaction counterparties, and specified ethical business policy in contracts with them?	Yes		(I) Before transacting with dealers, suppliers, or customers and other counterparties, the Company will take their legality and whether records of unethical conduct exist into consideration, and also includes ethical conduct as a contractual clause.	No major deviations.
(II) Has the company set up a dedicated (concurrent serving) unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	Yes		(II) The Company has set up "Procedures for Ethical Management and Guidelines for Conduct" and designates the HR Department to be in charge in relevant procedures to ethical management including amendments, implementations, consultation and educational training. Implementation results are regularly compiled and reported to the Board of Directors.	No major deviations.
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	Yes		(III) The Company has established Employee Work Rules and bans employees from using their work-related rights and opportunities to request for monetary bribery or other inappropriate interests to prevent unethical conduct. While transacting with stakeholders, terms and conditions of the transaction may not be better than transactions with other similar counterparties. The Company also provides fluent channels of communication, and employees can provide feedback to each level of the management and the HR department through various channels.	No major deviations.
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	Yes		(IV) The Company has established rigorous accounting system and designated accounting department. All financial statements are audited or reviewed by CPA to ensure the fairness of financial statements. The amount of each transaction is submitted to a delegated level of authority for approval, complying with relevant laws and internal processing procedures.	No major deviations.
(V) Does the company regularly organize internal and external training geared towards ethical business conduct?	Yes		(V) To promote and advocate for ethical conduct, the Company conducts educational training for "Ethical Corporate Management Principles" during monthly meetings, announcements, and departmental meetings, and relevant regulations have been uploaded to the Company website, allowing employees to access at any time.	No major deviations.

Item	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons
	Yes	No	Summary	
III. Operations of the whistleblowing channel (I) Does the company establish a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel? (II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Does the company adopt proper measures to prevent a whistleblower from retaliation for his/her filing a complaint?	Yes Yes Yes		(I) Based on the materiality of the whistleblowing incident, the Company will give incentives to the whistleblower, and an independent whistleblowing mailbox and hotline have been set up within the Company. Employees may access designated departments to handle relevant tasks through multiple channels or to reflect or provide feedback to various levels of the management and HR department. (II) Pursuant to the Company's "Procedures for Ethical Management and Guidelines for Conduct," the Company will keep the whistleblowers' identity and contents of information confidential. A whistleblower shall at least furnish the following information: I. The whistleblower's name and I.D. number, and an address, telephone number and e-mail address where it can be reached. II. The informed party's name or other information sufficient to distinguish its identifying features. III. Specific facts available for investigation. (III) The Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.	No major deviations. No major deviations. No major deviations.
IV. Strengthening information disclosure (I) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the MOPS?	Yes		(I) To build a corporate culture of ethical corporate management and to promote sound development, the "Procedures for Ethical Management and Guidelines for Conduct" has been approved by the Board of Directors and implemented. In addition, the Company discloses its information on the MOPS on a timely, open, and transparent basis.	No major deviations.
V. If the company has established corporate governance policies based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the policies and their implementation: The Company has established "Procedures for Ethical Management and Guidelines for Conduct," and no material deviation is found between actual implementations and the Procedures.				
VI. Other important information that facilitate the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical				

<table>
<tr><th rowspan="2">Item</th><th colspan="3">State of Operations</th><th rowspan="2">Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">Corporate Management Best Practice Principles):
1. Compliance to public and legal departments: The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/TPEx listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
2. Fulfillment of ethical transaction responsibility to customers and suppliers: the Company has always been grateful to customers and respects suppliers. All business transactions are carried out in a fair and transparent manner, providing customers or suppliers with fair and reasonable benefits and results, thus creating synergistic growth.
3. Fulfillment of ethical management responsibility to shareholders: the Company treats shareholders with care and loyalty, and fully discloses accurate information on a timely basis and creates the greatest value for all shareholders through robust and sound management practices.
4. Prevention of unethical conduct from Directors, Supervisors, managerial officers or employees: The Company has established "Management Procedures to Prevent Insider Trading," "Rules of Procedure for Board of Directors Meetings," "Procedures for Ethical Management and Guidelines for Conduct," and "Codes of Ethical Conduct" on top of internal control system. In addition, the Company also regularly conducts educational training and character and ethical evaluation for employees so that Directors, Supervisors, managers, or staff may faithfully carry out their obligations and to prevent any direct or indirect of provision, commitment, request or acceptance of any form of inappropriate interests including rebates, commissions, facilitation fees, or provision or acceptance of undue benefits through other means from/to customers, dealers, contractors, suppliers, public officials or other stakeholders.</td></tr>
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(VII) In case a code of corporate governance or relevant regulations have been established, a company shall disclose the method to inquire such principles: Please see the MOPS for details (http://newmops.tse.com.tw/corporategovernance).

(VIII) Other material information that can enhance the understanding of the state of corporate governance at the Company:

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

(IX) Implementation of Internal Control System

1. Statement on Internal Control

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

Date: March 9, 2020

Pursuant to self-evaluation results, the Company will make the following statement regarding the Company's internal control system from January 1, 2019 to December 31, 2019:

I. Great Tree has clearly stipulated that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Company's Board of Directors and managers, and the Company has established the internal control system (ICS). Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each constituent element includes a number of categories. Please see rules from the "Regulations" for details on the aforementioned categories.

IV. The Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This Statement is an integral part of the Company's Annual Report for the year 2018 and Prospectus, and is publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. We hereby declare that this Statement has been approved by the Board of Directors on March 9, 2020. Amongst the 5 Directors present in the meeting, none held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

Great Tree Pharmacy Co., Ltd.

Chairman:

General Manager:

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: None.

(X) From the most recent fiscal year up to the publication of the Annual Report, explain the circumstances in which the Company and its personnel have been punished by law, the disincentives measures put in place for breaching the internal control system, and any material deficiencies and revisions: None.

(XI) Material resolutions made in/by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the date of publication of this Annual Report:

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

Year	Name	Content of proposal	Resolution and status of implementation
2019.06.17	Annual Shareholders' Meeting 2018	I. Management Presentation (I) The Company's 2018 Business Report. (II) The Company's 2018 Supervisors' Audit Report. (III) The Company's 2018 Distribution of Employee Compensation and Remunerations of the Directors and Supervisors. (IV) Amendments to the Company's "Corporate Governance Best Practice Principles." (V) Status of the Company's Issuance of Domestic Unsecured Convertible Bonds.	
		II. Proposals (I) The Company's 2018 Business Report and Financial Statements.	Proposal passed without dissent. Announced to the competent authority and disclosed to the public.
		(II) The Company's 2018 Earnings Distribution Proposal is hereby submitted for ratification.	Proposal passed without dissent. On June 26, 2019, the Board of Directors decided to set July 30, 2019 as the benchmark date of interest distribution, and August 16, 2019 as the date of cash dividend distribution, all of which have been implemented.
		III. Discussions (I) Proposal for a new share issue through capitalization of earnings.	Passed without dissent. Share dividends of NT$47,517,070 (NT$1.30 per share) of appropriation of net income in 2018 was approved by the competent authority, and has been directly transferred to the accounts of each shareholder on October 4, 2019 by the Taiwan Depository & Clearing Corporation (TDCC), and transaction of Company shares began on the TPEx on the same day.
		(II) Amendment to the Company’s Articles of Incorporation	Proposal passed without dissent.
		(III) Amendment to certain articles in the Company’s Procedures for Acquisition or Disposal of Assets	Proposal passed without dissent.
		(IV) Proposal to amend the Company's "Procedures for Loaning of Funds."	Proposal passed without dissent.
		(V) Proposal to amend the Company's "Procedures for Providing Endorsements/Guarantees."	Proposal passed without dissent.

2. Material resolutions from the Board of Directors' meetings in 2019 and up to the date of publication of this Annual Report: in 2019 and as of the date of publication of this Annual Report, the Company has convened 8 Board meetings with the following material solutions:

Year	Name	Material resolution	Resolution and status of implementation
2019.01.02	Second 11th meeting	Approved the Company's proposal to obtain trademark and transfer of franchise contract of Prohealthcare Franchise from Maywufa Company Limited.	Proposal passed without dissent.
2019.03.28	Second 12th Meeting	1. Approved the amendments to some of the articles in the Company's "Articles of Incorporation." 2. Approved the independence of the Company's CPA. 3. Approved the Company's 2018 Distribution of Employee Compensation and Remunerations of the Directors and Supervisors. 4. Approved the Company's 2018 Business Report and Financial Statements. 5. Approved the Company's 2018 Appropriation of Net Income. 6. Approved the Company's proposal for a new share issue through capitalization of earnings. 7. Approved the Company's 2018 Statement of Internal Control. 8. Approved the amendments to some of the articles in the Company's "Procedures for Loaning of Funds." 9. Approved the amendments to some of the articles in the Company's "Procedures for Providing Endorsements/Guarantees." 10. Approved the designation of the Company's corporate governance personnel. 11. Approved the Company's 2019 salary adjustments for managers. 12. Approved the amendments to some of the articles in the Company's "Rules of Procedure for Board of Directors Meetings." 13. Approved the amendments to some of the articles in the Company's "Corporate Governance Best Practice Principles." 14. Approved the amendments to some of the articles in the Company's "Self-Evaluation or Peer Evaluation Methods of the Board of Directors." 15. Approved tasks related to calling the Annual Shareholders' Meeting 2019.	1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent. 5. Proposal passed without dissent. 6. Proposal passed without dissent. 7. Proposal passed without dissent. 8. Proposal passed without dissent. 9. Proposal passed without dissent. 10. After stakeholder Assistant Manager Wu Shu Yi from Finance Department sought for recusal, the proposal was approved by all remaining Directors in attendance without dissent. 11. After stakeholders (General Manager Cheng Ming Lung, Assistant Manager Wu Shu Yi from Finance Department and Chief Auditor Huang Shu Yi) sought for recusal, the proposal was approved by all remaining Directors in attendance without dissent. 12. Proposal passed without dissent. 13. Proposal passed without dissent. 14. Proposal passed without dissent. 15. Proposal passed without dissent.
2019.05.09	Second 13th Meeting	1. Reported the completion of the Company's Q1 2019 Consolidated Financial Statements and the presentation of the statements along with the Q1 2019 Review Report from CPA Lo Hsiao Chin and CPA Cheng Ching Piao from Ernst & Young Taiwan. 2. Reported that the no shareholders holding 1% or more of the Company's shares had proposed proposals for the Shareholders' Meeting during the proposal reception period after the Company announced the reception of shareholder proposals on March 28, 2019 pursuant to Article 172-1 of the Company Act.	No proposal was presented at this meeting.
2019.06.26	Second 14th Meeting	1. To adopt a resolution on the establishment of the Company's cash dividend basis date and matters related to the conversion of surplus to capital increase.	1. Proposal passed without dissent.
2019.08.13	Second 15th	1. Approved the Company's Q2 2019 Consolidated Financial Statements.	1. Proposal passed without dissent. 2. Proposal passed without dissent.

	Meeting	2. Approved the Company to apply for renewal of the line of NT$100,000,000 of CTBC Bank for the whole year. 3. Approved the Company to issue the employee stock option certificate and stock subscription method in 2019. 4. Approved to add a new storage place for drugs.	3. Proposal passed without dissent. 4. Proposal passed without dissent.
2019.08.13	Second 16th Meeting	1. Approved the Company's 2020 Annual Audit Plan. 2. It is resolved that the benchmark date for the issuance of share option certificates for common shares of the company be set. 3. Approved the benchmark date for the issuance of new shares for the first unsecured convertible corporate bonds into common shares. 4. Approved to apply to the Shanghai Commercial & Savings Bank for medium and long term loan line. 5. Approved to establish Jinmen Branch Office and Gangshan Branch Office of Great Tree Pharmacy Co., Ltd. 6. Approved that the Company, in order to meet the needs of future business development, intends to establish two 100% owned subsidiaries in Taiwan. 7. Reviewed the year-end performance bonus for Company managers. 8. Approved the remuneration distribution plan of directors and supervisors of the Company for 2018. 9. Approved the list of subscribers and issuance date of employee stock option certificate in 2019 issued by the Company.	1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent. 5. Proposal passed without dissent. 6. Proposal passed without dissent. 7. After stakeholders (General Manager Cheng Ming Lung, Assistant Manager Wu Shu Yi from Finance Department and Chief Auditor Huang Shu Yi) sought for recusal, the proposal was approved by all remaining Directors in attendance without dissent. 8. Proposal passed without dissent. 9. After stakeholders (General Manager Cheng Ming Lung, Assistant Manager Wu Shu Yi from Finance Department and Chief Auditor Huang Shu Yi) sought for recusal, the proposal was approved by all remaining Directors in attendance without dissent.
2020.01.16	Second The 17th time	1. Approved the Company's 2020 annual budget. 2. Approved the benchmark date for the issuance of new shares for the first unsecured convertible corporate bonds into common shares. 3. Approved Best Practices for Ethical Corporate Management stipulated for this Company. 4. Approved partial amendment of the Standard Operating Procedure for Ethical Management and Guidelines for Conduct 5. Approved to apply for credit line from Citibank by the Company.	1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent. 5. Proposal passed without dissent.
2020.03.09	Second The 18th Session	1. Approved the amendments to some of the articles in the Company's "Articles of Incorporation." 2. Approved the independence of the Company's CPA. 3. Approved the Company's 2019 Distribution of Employee Compensation and Remunerations of the Directors and Supervisors. 4. Approved the Company's 2019 Business Report and Financial Statements. 5. Approved the Company's 2019 Appropriation of Net Income. 6. Approved the Company's proposal for a new share issue through capitalization of earnings. 7. Approved the Company's 2019 Statement of Internal Control. 8. Approved the organizational procedures of the Audit Committee. 9. Approved to amend some articles of the Company's "Procedures for the Acquisition or Disposal of Assets", "Procedures for the Loan of Funds to Others" and "Procedures for the Handling of Endorsements and Guarantees". 10. Approved the amendments to some of the articles in	1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent. 5. Proposal passed without dissent. 6. Proposal passed without dissent. 7. Proposal passed without dissent. 8. Proposal passed without dissent. 9. Proposal passed without dissent. 10. Proposal passed without dissent. 11. Proposal passed without dissent. 12. Proposal passed without dissent. 13. Proposal passed without dissent. 14. Proposal passed without dissent. 15. Proposal passed without dissent. 16. Proposal passed without dissent. 17. Proposal passed without dissent. 18. Proposal passed without dissent.

		the Company's "Rules of Procedure for Shareholders' Meetings." 11. Approved the amendments to certain articles of the "Remuneration Committee Charter". 12. Approved the amendments to some of the articles in the Company's "Rules of Procedure for Board of Directors Meetings." 13. Approved to amend some provisions of the Company's "Procedures for the Election of Directors and Supervisors" and change its name to "Procedures for the Election of Directors". 14. Approved a comprehensive re-election of directors. 15. Approve the lifting of non-competition restriction for newly appointed directors and their representatives. 16. Approved to increase the credit line of CTBC Bank. 17. Approved the appointment and salary classification of the Company's senior executives. . 18. Approved tasks related to calling the Annual Shareholders' Meeting 2020.	

(XII) In the most recent year and up to the date of publication of the Annual Report, for dissenting opinions from Directors or Supervisors for material resolutions passed by the Board meeting that were recorded or included written statements, please indicate the contents: None.

(XIII) Resignation of Chairman, President and other Officers from the preceding year to the Printing Date of this Report: None

V. Information on professional fees for CPA

Range of compensations for CPA professional fees

Name of accounting firm	Name of CPA		Auditing period	Remark
Ernst & Young	Lo Hsiao Chin	Cheng Ching Piao	2019	

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

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

Unit: NT$ '000

Name of accounting firm	Name of CPA	Audit fees	Non-audit fees					Auditing period	Remark
			System design	Business registration	Human resources	Others (Note 2)	Sum		
Ernst & Young	Lo Hsiao Chin Cheng Ching Piao	2,800	0	305	0	0	305	January 1, 2019 to December 31, 2019	

Note 1. Where the Company replaces the CPA or accounting firm, the audit periods of the former and successor CPA or firm shall be annotated separately with the reason for replacement. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.

Note 2. Non-auditing fees should be separately indicated by type of service. If the "others" category in non-auditing fees reaches 25% of the non-auditing fees, the service shall be indicated in the Remarks column.

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

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

VI. Information on Replacement of CPA:

Not applicable.

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

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

(I) Share transfer and changes in equity pledge from Directors, Supervisors, managers, and substantial shareholders

Unit: shares

Title	Name	2019		Up to April 19, 2020	
		Changes in shares held	Changes in shares pledged	Changes in shares held	Changes in shares pledged
Corporate Director	Jun Wei Investment Co., Ltd (Note 1)	717,929	0	0	0
Representative of the Corporate Director	Liu Yu Teng (Note 1)	17,354	0	0	0
Corporate Director	Zhen Han Investment Co., Ltd (Note 2)	589,540	1,000,000	0	380,000
Representative of the Corporate Director and General Manager	Cheng Ming Lung (Note 2)	187,718	0	0	0
Corporate Director	Yuang Ding Investment Co,Ltd (Note 3)	94,258	0	0	0
Representative of the Corporate Director	Shen Li Ping (Note 3)	5,480	0	0	0
Deputy General Manager	Lu Shan Feng	0	0	0	0
Assistant Manager at Finance Department	Wu Shu Yi	53,766	0	0	0
Supervisor	Hsieh Po Chuan (Note 4)	4,019	0	0	0
Supervisor	Liu Shu Liang (Note 5)	141,217	0	0	0
Supervisor	Chen Hung Yi (Note 6)	0	0	0	0
Independent Director	Liu Tian Dao (Note 7)	0	0	0	0
Independent Director	Wei Tsung Te (Note 8)	0	0	0	0

Note 1. Jun Wei Investment Co., Ltd appointed Representative Liu Yu Teng to serve as Director on June 23, 2017, and Jun Wei Investment Co., Ltd is a substantial shareholder holding 10% or more of the Company's shares.

Note 2. Zhen Han Investment Co., Ltd appointed Representative Cheng Ming Lung to serve as Director on June 23, 2017, and Zhen Han Investment Co., Ltd is a substantial shareholder holding 10% or more of the Company's shares.

Note 3. Yuan Ding Investment Co, Ltd was elected as a Corporate Director on June 23, 2017 and appointed natural person representative Shen Li Ping to perform its duties.

Note 4. Hsieh Po Chuan was elected as Supervisor as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 5. Liu Shu Liang was elected as Supervisor as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 6. Chen Hung Yi was elected as Supervisor as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 7. Liu Tian Dao was elected as an Independent Director as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 8. Wei Tsung Te was elected as an Independent Director as a natural person on the Shareholders' Meeting on June 23, 2017.

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

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

IX. Information on top ten substantial shareholders who are related parties, or having spousal relationship, or familial relationship within the second degree of kinship, with each other

As of book closure date on April 19, 2020

Name (Note 1)	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who have spousal relationship, or familial relationship within the second degree of kinship, with each other (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (OR NAME)	Relation	
Jun Wei Investment Co., Ltd	6,276,986	14.40%	—	—	—	—	Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Person in charge is the same; having second degree of kinship with the person in charge of Jun Wei Investment Co., Ltd.	—
Representative of Jun Wei Investment Co., Ltd: Liu Yu Teng	151,732	0.35%	—	—	—	—	Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Person in charge is the same; having second degree of kinship with the person in charge of Jun Wei Investment Co., Ltd.	—
Zhen Han Investment Co., Ltd	5,154,458	11.82%	—	—	—	—	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd.; Person in charge of Hao Cheng Investments Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co, Ltd. Second degree of kinship with the person in charge of Zhen Han Investment Co., Ltd.	—
Representative of Zhen Han Investment Co., Ltd: Cheng Ming Lung	1,153,435	2.65%	—	—	—	—	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd. Person in charge of Hao Cheng Investments Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co, Ltd. Second degree of kinship with the person in charge of Zhen Han Investment Co., Ltd.	—
Hao Cheng Investments Co., Ltd.	3,596,666	8.25%	—	—	—	—	Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd Liu Shu Liang	Person in charge is the same Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Second degree of kinship with the person in charge of Hao Cheng Investments Co., Ltd.	—
Representative of Hao Cheng Investments Co., Ltd: Liu Yu Teng	151,732	0.35%	—	—	—	—	Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd	Person in charge is the same Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd.	—

Name (Note 1)	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who have spousal relationship, or familial relationship within the second degree of kinship, with each other (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (OR NAME)	Relation	
							Liu Shu Liang	Second degree of kinship with the person in charge of Hao Cheng Investments Co., Ltd.	
Ri-Long Investment Co, Ltd	1,358,158	3.11%	—	—	—	—	Zhen Han Investment Co., Ltd	Person in charge of Zhen Han Investment Co., Ltd. is a spouse of the person in charge of Ri-Long Investment Co, Ltd.	—
Representative of Ri-Long Investment Co, Ltd: Chia-Ling Chan	—	—	1,153,435	2.65%	—	—	Zhen Han Investment Co., Ltd	Person in charge of Zhen Han Investment Co., Ltd. is a spouse of the person in charge of Ri-Long Investment Co, Ltd.	
Liu Shu Liang	1,234,689	2.83%	45,538	0.10%	—	—	Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd.	Second degree of kinship with the person in charge of the company	—
Dedicated investment account of Matthew Asian Small Business Funds in the custody of HSBC	1,206,282	2.77%	—	—	—	—	—	—	—
Cheng Ming Lung	1,153,435	2.65%	—	—	—	—	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd. Person in charge of Hao Cheng Investments Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co, Ltd. Second degree of kinship with the person in charge of Zhen Han Investment Co., Ltd.	—
Yuang Ding Investment Co,Ltd	824,118	1.89%	—	—	—	—	Jiu-Ding Investment Co., Ltd	Affiliates	—
Representative of Yuang Ding Investment Co., Ltd: Shen Li Ping	47,918	0.11%	—	—	—	—	None	None	—
Dedicated trust account of National Development Fund's investment in service industry in the custody of CTBC Bank	806,936	1.85%	—	—	—	—	—	—	—
Jiu-Ding Investment Co., Ltd.	761,064	1.75%	—	—	—	—	Yuan Ding Investment Co., Ltd.	Affiliates	—
Representative of Jiu-Ding Investment Co., Ltd: Te-Cheng Chiu	—	—	—	—	—	—	None	None	—

Note 1. All the top 10 substantial shareholders shall be listed. For juristic person shareholders, their names and the name of their representatives shall be listed separately.
Note 2. Calculation of shareholding ratio is calculated by shares held by the person, by spouse, by minor children, or under others' names.
Note 3. Relationships between the aforementioned shareholders, including juristic person shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

X. Shares held by the Company, its Directors, Supervisors, managers, and businesses either directly or indirectly controlled by the Company as a result of investment, and the ratio of consolidated shares held

As of April 30, 2020; Unit: shares; %

Reinvestment Business	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Ownership	
(Note)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
Ivy Biotechnology Co., Ltd.	5,900,000	100.00	0	0.00	5,900,000	100.00
Bai-Lin Logistics Co., Ltd.	200,000	100.00	0	0.00	200,000	100.00
Da Yu Property Management Co., Ltd.	360,000	60.00	0	0.00	360,000	60.00

Note: Invested by the Company using the equity method

Chapter 4. Funding Status

I. Capital and Shares

(I) Source of Capital

1. Sources of Share Capital

As of April 19, 2020; (Unit: shares; NT$)

Month, Year	Issued price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of Share Capital	Capital increased by assets other than cash	Other
2001.05	10	300,000	3,000,000	300,000	3,000,000	Capital shares at establishment NT$3,000,000	None	Approved by Letter No. 09032174140 on May 15, 2001
2008.02	10	2,300,000	23,000,000	2,300,000	23,000,000	Cash capital increase NT$20,000,000	None	Approved by Letter No. 09731695960 on February 4, 2008
2009.01	10	5,000,000	50,000,000	5,000,000	50,000,000	Cash capital increase NT$27,000,000	None	Approved by Letter No. 09831529450 on January 8, 2009
2008.06	10	7,000,000	70,000,000	7,000,000	70,000,000	Cash capital increase NT$20,000,000	None	Approved by Letter No. 09932191050 on June 18, 2010
2012.07	10	30,000,000	300,000,000	12,600,000	126,000,000	Cash capital increase NT$56,000,000	None	Approved by Letter No. 10132319370 on July 30, 2012
2012.11	10	30,000,000	300,000,000	15,000,000	150,000,000	Cash capital increase of NT$24,000,000	None	Approved by Letter No. 10132667050 on November 1, 2012
2013.12	15	30,000,000	300,000,000	18,200,000	182,000,000	Cash capital increase NT$32,000,000	None	Approved by Letter No. 10234173460 on December 31, 2013
2014.02	52	30,000,000	300,000,000	21,000,000	210,000,000	Cash capital increase NT$28,000,000	None	Approved by Letter No. 10333130600 on February 26, 2014
2015.09	10	60,000,000	600,000,000	23,100,000	231,000,000	Capital increase by reinvestment of surplus NT$21,000,000	None	Approved by Letter No.10433751990 on September 21, 2015
2016.04	70	60,000,000	600,000,000	25,260,000	252,600,000	Cash capital increase NT$21,600,000	None	Approved by Letter No. 10533399230 on April 13, 2016
2016.09	10	60,000,000	600,000,000	26,523,000	265,230,000	Capital increase by reinvestment of surplus NT$12,630,000	None	Approved by Letter No. 10590810030 on September 29, 2016
2017.09	10	60,000,000	600,000,000	30,501,450	305,014,500	Capital increase by reinvestment of surplus NT$39,784,500	None	Approved by Letter No. 10690989610 on September 12, 2017
2018.07	62	60,000,000	600,000,000	33,501,450	335,014,500	Cash capital increase NT$30,000,000	None	Approved by Letter No. 10790931690 on July 25, 2018
2018.09	10	60,000,000	600,000,000	36,551,595	365,515,950	Capital increase by reinvestment of surplus NT$30,501,450	None	Approved by Letter No. 10790998180 on September 18, 2018
2019.09	10	60,000,000	600,000,000	41,303,302	413,033,020	Capital increase by reinvestment of surplus NT$47,517,070	None	Approved by Letter No. 10891021810 on September 10, 2019
2019.11	10	60,000,000	600,000,000	42,582,027	425,820,270	Conversion of warrants	None	Approved by Letter

Month, Year	Issued price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of Share Capital	Capital increased by assets other than cash	Other
						NT$3,560,000 Conversion of convertible corporate bonds: NT$9,227,250		No. 10891110400 on November 27, 2019
2020.01	10	60,000,000	600,000,000	43,227,100	432,271,000	Conversion of convertible corporate bonds: NT$6,450,730	None	Approved by Letter No. 10990727500 on January 30, 2020
Remarks: the month and year indicated in this table are based on the time when authorization is granted from the Ministry of Economic Affairs								

2. Types of shares issued

As of April 19, 2020; Unit: shares

Share / Type	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	Total shares on the TPEx 43,604,948	16,395,052	60,000,000	-

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

(II) Shareholder Structure

As of book closure date on April 19, 2020

Shareholder structure / Amount	Government institution	Financial institution	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of persons	-	3	28	2,905	8	2,944
Number of shares held	-	1,383,217	19,081,732	21,487,847	1,652,152	43,604,948
Shareholding ratio (%)	-	3.17	43.76	49.28	3.79	100.00

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

(III) Dispersion of Equity Ownership

As of book closure date on April 19, 2020

Class of shareholding	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	813	179,182	0.41%
1,000 to 5,000	1,573	2,952,586	6.77%
5,000 to 10,000	228	1,666,343	3.82%
10,001 to 15,000	84	1,027,728	2.36%
15,001 to 20,000	40	701,151	1.61%
20,001 to 30,000	64	1,549,534	3.55%
30,001 to 40,000	32	1,112,889	2.55%
40,001 to 50,000	26	1,164,188	2.67%
50,001 to 100,000	38	2,915,486	6.69%
100,001 to 200,000	21	3,031,975	6.95%
200,001 to 400,000	12	3,301,637	7.57%
400,001 to 600,000	3	1,629,457	3.74%
600,001 to 800,000	1	761,064	1.75%
800,001 to 1,000,000	2	1,631,054	3.74%
1,000,001 to 999,999,999	7	19,980,674	45.82%
Total	2,944	43,604,948	100.00%

(IV) List of Substantial Shareholders

As of book closure date on April 19, 2020

List of Substantial Shareholders \ Types of	Number of shares held (shares)	Shareholding ratio (%)
Jun Wei Investment Co., Ltd	6,276,986	14.40
Zhen Han Investment Co., Ltd	5,154,458	11.82
Hao Cheng Investments Co., Ltd.	3,596,666	8.25
Ri-Long Investment Co, Ltd	1,358,158	3.11
Liu Shu Liang	1,234,689	2.83
Dedicated investment account of Matthew Asian Small Business Funds in the custody of HSBC	1,206,282	2.77
Cheng Ming Lung	1,153,435	2.65
Yuang Ding Investment Co,Ltd	824,118	1.89
Dedicated trust account of National Development Fund's investment in service industry in the custody of CTBC Bank	806,936	1.85
Jiu-Ding Investment Co., Ltd.	761,064	1.75

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

Item \ Year			2018	2019	As of April 30, 2020 (Note 8)
Market price per share (Note 1)	Highest		95.50	92.80	86.30
	Lowest		59.50	59.50	62.20
	Average		77.83	81.38	79.92
Market price Net value	Before distribution		28.77	28.77	29.34
	After distribution (Note 2)		-	(Note 9)	-
Market price per share	Weighted Average Shares (thousand shares)		35,272	41,803	42,700
	Earnings per share (EPS)	Before adjustment	3.01	3.25	1.08
		After adjustment (Note 3)	2.66	(Note 9)	-
Market price per share	Cash dividends		1.3	1.0 (Note 9)	-
	Stock grant	Dividend from surplus	1.3	1.8 (Note 9)	-
		Dividend for paid-in capital	-	(Note 9)	-
	Accumulated dividend not paid out (note 4)		-	-	-
Return on Investments	Price-to-earnings ratio (Note 5)		25.86	25.04	-
	Price/dividend ratio (Note 6)		59.87	81.38	-
	Cash dividend yield (Note 7)		1.67	1.23	-

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

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

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

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

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

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

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

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

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

Note 9. The Company's Appropriation of Net Income has been approved by the Board meeting on March 9, 2020, and is pending a resolution from the Shareholders' Meeting to be convened on June 17, 2020.

(VI) Dividend policy of the company and its implementation

1. Dividend policy stipulated in the Articles of Incorporation

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

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

In response to economic fluctuations and to maintain a robust financial structure, the Company adopts balanced dividend policy, and the policy for future dividend distribution is as follow:

(1) No less than 10% of the distributable earnings will be appropriated as shareholders' dividends and bonuses. Nevertheless, in case the distributable earnings is less than 10% of paid-in capital, the Company may choose not to distribute dividends.

(2) In consideration of a balanced and stable dividend policy, the Company will adequately adopt either share dividends or cash dividends based on investment capital needs and the levels of dilution on the earnings per share (EPS), provided that the cash dividends shall be no less than 10% of the total dividends.

2. Proposed dividend distribution for the year (2019)

The 2019 appropriation of net income has been approved by the Board of Directors' meeting on March 9, 2020. However, a resolution from the 2020 Shareholders' Meeting is still pending, and the following is the resolution regarding appropriation of net income from the Board:

Unit: NT$

Item	Amount
Beginning retained earnings	$95,566,482
Minus: the impact of retrospective application and retrospective restatement	(56,484,347)
Less: other comprehensive income (remeasurements of defined benefit plan in 2019)	(1,319,034)
Add: 2019 after-tax net profits	135,984,803
Less: appropriation of legal capital reserve	(13,598,480)

Retained earnings available for distribution for this period	160,149,424
Allocations	
Shareholders' dividend in cash (NT$1.00 per share)	(43,484,275)
Shareholders' dividends - shares (approximately NT$1.80 per share)	(78,271,670)
	(121,755,945)
Ending retained earnings	$38,393,479

3. Anticipated Changes in Dividend Policy: None.

(VII) Effects of proposed stock dividends in this year (2019) on the Company's operating performance and the EPS:

The Company did not disclose financial forecast for 2020. Therefore, the effects of the share dividends proposed for the current Shareholders' Meeting on the Company's operating performance and the EPS is not applicable.

(VIII) Compensation for employees, Directors, and Supervisors

1. Quantity or scope of compensation for employees, Directors, and Supervisors as prescribed under the Articles of Incorporation:

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

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

2. Accounting treatment for the basis of estimating the amount of the employees', Director's and Supervisors' compensations for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and for any discrepancy between the actual amount distributed and the estimated figures:

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

3. Information on allocation of compensations approved by the Board of Directors:

   (1) Employee bonus and Directors' and Supervisors' bonus will be distributed in cash. If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:

   The Company appropriated 3% to 10% from the 2019 net income after tax as employee bonus pursuant to the Company's Articles of Incorporation, and no more than 3% as bonus for Directors and Supervisors. Employee bonus is estimated at NT$5,007 thousand, while Directors' and Supervisors' bonus is estimated at NT$1,485 thousand. There is no material discrepancy between the estimates and the proposed distributions approved by the Board of Directors.

(2) Employee bonus distributed in shares and the ratio of the share bonus on the net income after tax and the total amount of employee bonus: Not applicable since the Company only distributed employee bonus in cash.

4. Actual distribution of compensations for employees, Directors, and Supervisors (including the number, sum, and price of shares distributed) in the last year, and where there were discrepancies with the recognized compensations for employees, Directors, and Supervisors, the difference, cause, and treatment of the discrepancy be described:

The 2019 Shareholders' Meeting approved the 2018 appropriation of net income, in which employee bonus of NT$4,071 thousand and Directors' and Supervisors' bonus of NT$1,208 thousand were distributed. No discrepancy was found between the actual distributions and the amounts of distribution approved by the Board of Directors.

(IX) Company share repurchase status: None.

II. Issuance of Corporate Bonds

(I) Issuance of bonds

Type of bond (Note 2)		First domestic unsecured bond (Note 5)
Date of issuance		June 12, 2018
Nominal value		NT$100,000
Place of issuance and transaction (Note 3)		Domestic
Issuance price		Issued at 100% nominal amount
Total		NT$300,000,000
Interest		0%
Duration		3 years, maturing on June 12, 2021
Guarantee agency		Not applicable
Trustee		Trust Department of Taipei Fubon Bank
Underwriter		Fubon Securities Co., Ltd.
Attorney		Charles Ya-Wen Chiu, Handsome Attorneys-at-Law
CPA		Not applicable
Method of redemption		In addition to conversion or redemption in accordance with the conversion method, the face value of the bonds at maturity plus interest compensation shall be repaid in cash at 101.0025% of the face value
Principal outstanding		NT$300,000,000
Terms of redemption or early payoff		Please see Articles 18-19 on the Company's "Convertible Bond Issuance and Conversion Method"
Restrictive covenants (Note 4)		None
Name of Credit Rating Agency (CRA), rating date, and results of corporate bond ratings		Not applicable
Other rights	Amount of ordinary shares already converted (swapped or warranted) and global/overseas depositary receipts or other negotiable securities up to the date of publication of the Annual Report	As of April 30, 2020, a total of NT$137,600,000 has been converted into 1,945,646 common shares, with a par value of NT$10 per share.
	method of issuance and conversion (swap or warrant)	Please refer to the bond issuance data of the bond credit zone of the Market Observation Post System
Possible dilution effects on the equity from issuance and conversion, swap or subscription method, and issuance terms and current shareholders' equity		According to the current conversion price of NT$69.6, 2,333,333 shares need to be issued in case of full conversion of common shares, which has limited impact on shareholders' equity.
Name of the commissioned custodian of exchangeable underlyings		Not applicable

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

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

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

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

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

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

(II) Processing of information on convertible bonds

Type of bond		First domestic unsecured bond		
Year; item		2018	2019	Current fiscal year up to April 30, 2020
Market price of convertible corporate bond	Highest	106.95	125.00	123.00
	Lowest	100.05	101.00	101.50
	Average	105.12	113.97	115.45
Price of conversion		(Note 1)	(Note 2)	NT$69.60
Date of issuance and conversion price at issuance		Issuance date: June 12, 2018; conversion price at issuance: NT$90.80	Issuance date: June 12, 2018; conversion price at issuance: NT$90.80	Issuance date: June 12, 2018; conversion price at issuance: NT$90.80
Fulfillment of conversion obligation		Issuance of new shares	Issuance of new shares	Issuance of new shares

Note 1. From June 12, 2018 to July 18, 2018, the conversion price was NT$90.80; from July 19, 2018 to September 11, 2018, the conversion price was NT$88.90; and from September 12, 2018 to December 31, 2018, the conversion price was NT$79.80.

Note 2. From January 1, 2019 to July 29, 2019, the conversion price is NT$79.80; from July 30, 2019 to August 31, 2019, the conversion price is NT$78.60; from September 1, 2019 to December 31, 2019, the conversion price is NT$69.60.

(III) Information on swappable bonds: None.

(IV) Information on bonds issued through shelf registration: None.

(V) Information regarding corporate bond with attached warrant: None.

III. Preferred Stocks: None.

IV. Handling of Overseas Depository Receipt: None.

V. Handling of Employee Stock Subscription Rights:

(I) Handling of employee stock option: April 30, 2020

Type of employee stock option(Note 2)	First (term 1) employee stock option(Note 5)	First (term 2) employee stock option(Note 5)	Second employee stock option
Effective date	2014.09.12	2014.09.12	2019.10.29
Issuance (processing) date (Note 4)	2014.10.01	2014.11.01	2019.12.01
Units issued	835 (1,000 shares can be subscribed for every 1 unit)	113 (1,000 shares can be subscribed for every 1 unit)	1,879 (1,000 shares can be subscribed for every 1 unit)
Ratio of issued subscriptions on the total number of shares issued	1.93%	0.26%	4.35%
Duration of the stock options	5 years	5 years	6 years
Fulfillment method (Note 3)	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restricted subscription duration and ratio (%)	Stock subscription period 30% can be exercised in 2 years, 60% can be exercised in 3 years, 100% can be exercised in 4 years.	Stock subscription period 30% can be exercised in 2 years, 60% can be exercised in 3 years, 100% can be exercised in 4 years.	The grant period of warrants varies according to the category. Please refer to the issuance and subscription methods for details.
Number of shares acquired	243,000 shares	113,000 shares	0 shares
Monetary amount of stock subscription acquired	NT$6,971,670	NT$3,241,970	NT$0
Stock subscriptions yet to be exercised	0 shares	0 shares	1,879,000 shares
Subscription price per share for stock subscriptions yet to be exercised	—	—	NT$82.60
Percentage of subscriptions yet to be exercised on the total number of shares issued (%)	-%	-%	4.35%
Effects on shareholders' equity	Impact of dilution on the existing shareholders of ordinary shares is limited	Impact of dilution on the existing shareholders of ordinary shares is limited	Impact of dilution on the existing shareholders of ordinary shares is limited

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

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

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

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

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

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

1. First employee stock option:

As of April 30, 2019; Unit: NT$ '000/shares

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of employee stock options obtained</th><th rowspan="2">Percentage of employee stock options obtained to the total issuance of shares (Note 4)</th><th colspan="4">Executed (Note 2)</th><th colspan="4">Not yet executed (Note 2)</th></tr>
<tr><th>Number of shares subscribed</th><th>Subscription price (Note 5)</th><th>Subscription amount (in thousand NTD)</th><th>Percentage of number of shares subscribed on the total issuance of shares (Note 4)</th><th>Number of shares subscribed</th><th>Subscription price (Note 6)</th><th>Subscription amount (in thousand NTD)</th><th>Percentage of number of shares subscribed on the total issuance of shares (Note 4)</th></tr>
<tr><td rowspan="2">Manager</td><td>General Manager</td><td>Cheng Ming Lung</td><td rowspan="2">103,000</td><td rowspan="2">0.24%</td><td rowspan="2">103,000 shares</td><td rowspan="2">NT$28.69</td><td rowspan="2">2,955</td><td rowspan="2">0.24%</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td></tr>
<tr><td>Assistant Manager at Finance Department</td><td>Wu Shu Yi</td></tr>
<tr><td rowspan="10">Employee (Note 3)</td><td>Manager at Logistics Department</td><td>Hsu Hao</td><td rowspan="10">173,000</td><td rowspan="10">0.40%</td><td rowspan="10">98,000 shares</td><td rowspan="10">NT$28.69</td><td rowspan="10">2,811</td><td rowspan="10">0.23%</td><td rowspan="10">—</td><td rowspan="10">—</td><td rowspan="10">—</td><td rowspan="10">—</td></tr>
<tr><td>Manager in Store Development Department</td><td>Sung Chao Feng</td></tr>
<tr><td>Head of Purchasing and Marketing Division</td><td>Chen Chi Min</td></tr>
<tr><td>Auditing Manager</td><td>Huang Shu Yi</td></tr>
<tr><td>Supervisor in Operations Department</td><td>Wang Pao Feng</td></tr>
<tr><td>Head of Purchasing and Marketing Division</td><td>Tsao Wen Chi</td></tr>
<tr><td>Operations Manager in Subsidiary</td><td>Liu Mei Yun</td></tr>
<tr><td>Operations Deputy Manager in Subsidiary</td><td>Lee Ping Hsiu</td></tr>
<tr><td>IT Office Manager, Administrations Department</td><td>Hsia Jen Tai</td></tr>
</table>

2. Second employee stock option:

As of April 30, 2019; Unit: NT$ '000/shares

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of employee stock options obtained</th><th rowspan="2">Percentage of employee stock options obtained to the total issuance of shares (Note 4)</th><th colspan="4">Executed (Note 2)</th><th colspan="4">Not yet executed (Note 2)</th></tr>
<tr><th>Number of shares subscribed</th><th>Subscription price (Note 5)</th><th>Subscription amount (in thousand NTD)</th><th>Percentage of number of shares subscribed on the total issuance of shares (Note 4)</th><th>Number of shares subscribed</th><th>Subscription price (Note 6)</th><th>Subscription amount (in thousand NTD)</th><th>Percentage of number of shares subscribed on the total issuance of shares (Note 4)</th></tr>
<tr><td rowspan="3">Manager</td><td>General Manager</td><td>Cheng Ming Lung</td><td rowspan="3">670,000</td><td rowspan="3">1.55%</td><td rowspan="3">0 shares</td><td rowspan="3">NT$0</td><td rowspan="3">NT$0</td><td rowspan="3">-%</td><td rowspan="3">670,000</td><td rowspan="3">NT$82.60</td><td rowspan="3">55,342</td><td rowspan="3">1.55%</td></tr>
<tr><td>Deputy General Manager</td><td>Lu Shan Feng</td></tr>
<tr><td>Assistant Manager at Finance Department</td><td>Wu Shu Yi</td></tr>
<tr><td rowspan="10">Employee (Note 3)</td><td>Manager of the Management Division</td><td>Cheng Da Hong</td><td rowspan="10">690,000</td><td rowspan="10">1.60%</td><td rowspan="10">0 shares</td><td rowspan="10">NT$0</td><td rowspan="10">NT$0</td><td rowspan="10">-%</td><td rowspan="10">690,000</td><td rowspan="10">NT$82.60</td><td rowspan="10">56,994</td><td rowspan="10">1.60%</td></tr>
<tr><td>Manager of Operation Department</td><td>Huang Feng Sheng</td></tr>
<tr><td>Manager of Product Purchase and Marketing Department</td><td>Ye Shi Wei</td></tr>
<tr><td>Supervisor in Operations Department</td><td>Gao Zheng Wei</td></tr>
<tr><td>Supervisor in Operations Department</td><td>Lu Wei Ren</td></tr>
<tr><td>Manager in Store Development Department</td><td>Sung Chao Feng</td></tr>
<tr><td>Manager of E-Commerce Office of Operations Department</td><td>Jiang Zhong Zhe</td></tr>
<tr><td>Operations Manager in Subsidiary</td><td>Liu Mei Yun</td></tr>
<tr><td>Supervisor in Operations Department</td><td>Xu Li Ming</td></tr>
<tr><td>Supervisor in Operations Department</td><td>Zhang Yi Zhi</td></tr>
</table>

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

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

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

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

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

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

VI. New Restricted Employee Shares: None.

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

VIII. Execution of Fund Application Plans:

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

Chapter 5. Operations Overview

I. Company Business

(I) Scope of Business:

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

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

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

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

2. Percentage of revenue

Unit: NT$ '000; %

Year / Item	2018		2019	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Maternity and infant products	2,367,529	48.31	3,223,494	48.83
Health foods and supplements	1,052,852	21.48	1,384,911	20.98
National Health Insurance (NHI) prescription drugs	744,640	15.19	987,035	14.95
Health care products	534,035	10.90	742,854	11.25
Other	201,673	4.12	263,318	3.99
Total	4,900,729	100.00	6,601,612	100.00

Data source: financial statements audited and certified by CPA.

3. Current products (services) offered by the Company

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

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

4. Planning and development of new products (services):

1) Innovative services

A. Having received the "Service Industry Innovation Research (SIIR)" from the Ministry of Economic Affairs and established a "cross-platform health management cloud-based app," the Company will enhance interactive health management with consumers and expand the types of health care products needed by consumers and brand reliance, paving the way to e-commerce services in Taiwan.

B. After the Company successfully collaborated with Family Mart to open the "Family Mart x Great Tree Pharmacy," we will expand the number of collaboration stores in the future to build comprehensive new store models which integrate health retail, drug management, and living goods. This will also help us to pave the way to e-commerce and helping to provide a complete online and offline (O2O) integrated support.

C. Since September 2015, the Company has been collaborating with Tmall, a business group of Alibaba Group, on trans-border e-commerce. We mostly sell health supplements and maternity and infant products, and the platform will help us to expand to the Chinese e-commerce market and reach to the widespread Chinese netizen, thus enhancing our brand awareness overseas.

2) Maternity and infant products

A. In response to low birth rates, we will add more mid- to high-end products to enhance the average unit price of products.

B. Expand the scope of product needs such as environmental, detergents, and mothers' needs during breast feeding to increase the average number of products bought per customer.

3) Health foods and supplements

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

B. In terms of own products, we will expand from the current health supplements to medical equipment to increase the ratio of own products on the overall sales.

4) Health care products

A. Health care products for outpatients and senior citizens and planning of management for large-scale medical equipment.

B. Introducing more professional care products for specific diseases.

5) Other

A. Organic, natural, chemical-free concept of personal hygiene and skincare, environmental cleaning products.

B. Organic foods, safe food additives and health beverages.

(II) Industry Overview

1. Current state and development of the industry

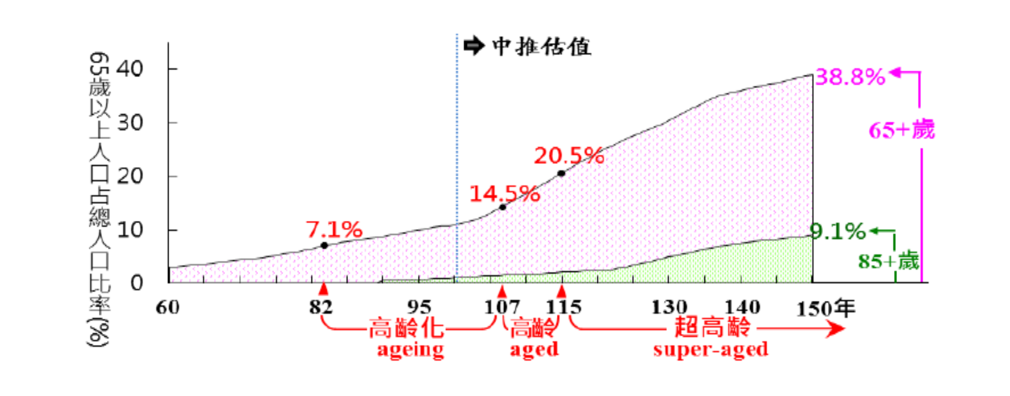
The main macro environmental factors that have higher impact to the industry that our Company belongs to are: the change of demographic structure, the change of policies and legislations, and the overall economic situation described by indexes like gross domestic product (GDP) and national health expenditure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

1) Age Demographic Trend in Taiwan

According to the "Republic of China Population Estimation (2016 to 2061)" published by the National Development Council, by 1993, the ratio of older population to the general population of our country had surpassed 7%, making our society an aging society. As shown in figure 3, this ratio is expected to surpass 14% in 2018, making our country an aged society, and by year 2026, this ratio will be over 20%, which means our country will be part of the super aged society.

Moreover, as shown in figure 4, the growth of the working population consisting of people between age 15 to 64 is continuing to slow down, and will start to decrease in the year 2016, while the growth of the older population of people over the age of 65 is higher than the growth of working population. As the post-war baby boomers began to be older than the age of 65, the growth of the older population in our country had started to speed up since 2011, and surpassed the young-age population in 2017. After that, as the older population increase, death count will increase as well, the population growth will slow down and becomes negative growth in 2051. It is estimated that the older population will grow from 3.108 million in 2016 to 7.152 million in 2061, which is a growth of 130%.

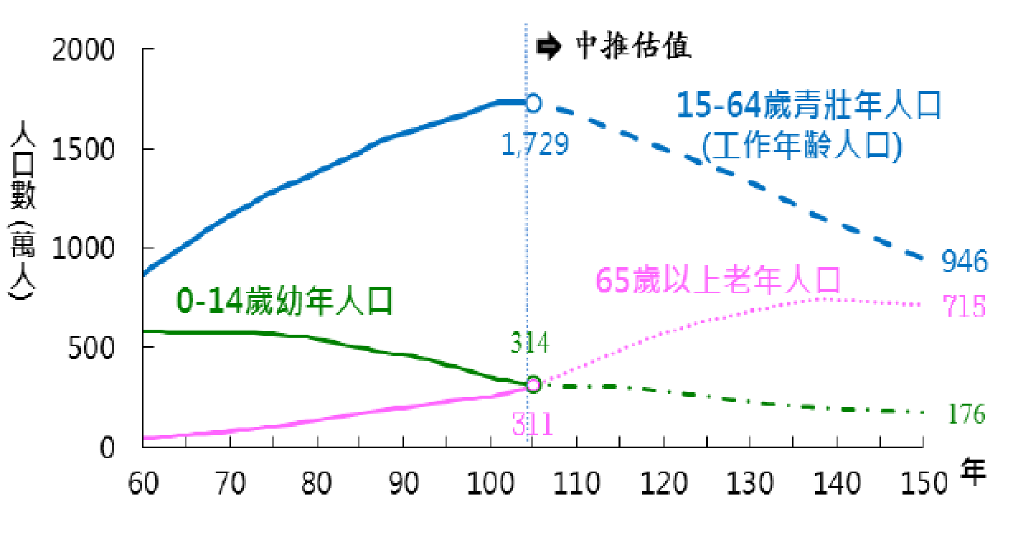
Figure 3: Timeline of the aging population of the country



Percentage of persons aged 65 and more on the overall population (%)			
Estimated median	Ages 65+	Ages 85+	Years
Ageing	Aged	Super-aged	

Data source: 1. 1971 to 2015 are from the "Republic of China Population Statistics Annual Report" published by the Ministry of the Interior
2. 2016 to 2061 are from "Republic of China Population Estimations (2016 to 2061)" report

Figure 4: Demographic trend of our country



Population (in 10 thousands)	Estimated median	Years
Children 0-14 years old	Aged population 65+	Youth to middle-aged population 15-64 years old

Data source: 1. 1971 to 2015 are from the "Republic of China Population Statistics Annual Report" published by the Ministry of the Interior
2. 2016 to 2061 are from "Republic of China Population Estimations (2016 to 2061)" report

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

2) Policy changes

Our country implemented the separation of dispensing practice from medical practice in 1997. The principle of separation of dispensing practice from medical practice is to have doctors responsible for diagnosis, treatment, and issue prescriptions, and have pharmacists responsible for preparing medication according to the prescription and provide instructions and consultations on drug use. The goal was to protect people's right to knowledge and choice, to provide medical efficiency by making doctors and pharmacists cooperate, and to protect drug use safety for people. In light of the fact that some hospitals used the differences in drug prices to earn high profits from drug administration, the National Health Insurance Administration (NHIA) has been conducting surveys on drug prices and adjusting their prices on a bi-annual basis since 2000. The hospital's margin for drug price difference continues to shrink, and under the total payment system stipulated by the NHI, hospital management needs to adjust its profit structure, prioritize businesses with higher profits and to reduce the drug sales business with declining profits.

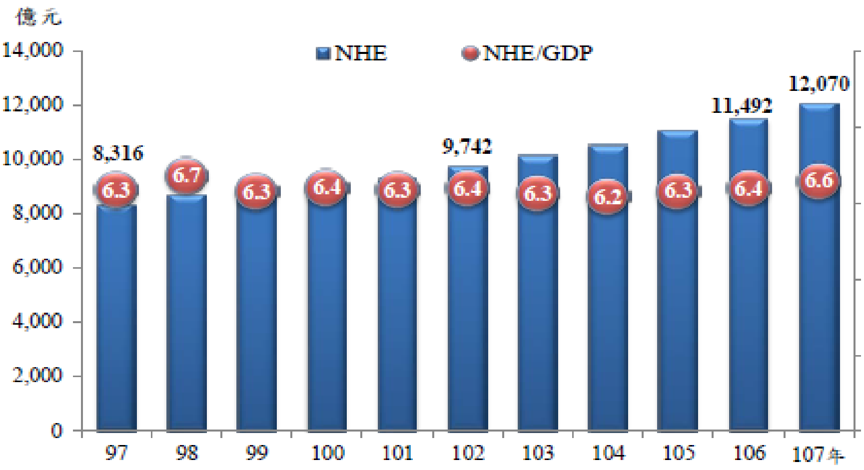
3) Average NHE changes per person and ratio on the GDP

As shown in the figure below, according to the "national health care expenditure in 2018" prepared by the Ministry of Health and Welfare of the Executive Yuan, the national health care expenditure (NHE) in 2018 was NT$1,207 billion, an increase of 5.0% compared with 2017, with an increase of 2.0% higher than the annual increase of gross domestic product (GDP), resulting in an amount accounting for GDP (NT$18,342.9 billion), i.e. NHE / GDP rose to 6.6%, 0.2 percentage points higher than that of the previous year; the average NHE per capita was NT$51,186, 4.9% higher than that of the previous year. This indicates that the public's health and medical expenditure is showing a steady increase in each year.

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

Diagram 5. Overview of National Health Care Expenditure

圖 1　NHE 金額及占 GDP 比重



In NT$100 million　　　　　　　　**Years**

表 1　NHE 及平均每人 NHE

	國民醫療保健支出 (NHE)		平均每人 NHE		平均每人 GDP		NHE/GDP	GDP 年增率
	億元	年增率(%)	元	年增率(%)	元	年增率(%)	(%)	(%)
97 年	8,316	2.4	36,160	2.0	570,279	-2.2	6.3	-1.9
98 年	8,693	4.5	37,665	4.2	559,807	-1.8	6.7	-1.5
99 年	8,846	1.8	38,228	1.5	607,596	8.5	6.3	8.8
100 年	9,134	3.3	39,382	3.0	614,922	1.2	6.4	1.4
101 年	9,293	1.7	39,935	1.4	630,749	2.6	6.3	2.9
102 年	9,742	4.8	41,733	4.5	654,142	3.7	6.4	4.0
103 年	10,171	4.4	43,459	4.1	694,680	6.2	6.3	6.5
104 年	10,528	3.5	44,870	3.2	726,895	4.6	6.2	4.9
105 年	11,081	5.3	47,122	5.0	746,526	2.7	6.3	2.9
106 年	11,492	3.7	48,787	3.5	763,445	2.3	6.4	2.4
107 年	12,070	5.0	51,186	4.9	777,898	1.9	6.6	2.0

附註：依最新國民所得統計進行編算修正。

Table 1 NHE and Average NHE per person

	National health expenditure (NHE)		Average NHE per person		Average NHE per person		NHE/GDP (%)	Annual GDP growth rate (%)
	In NT$100 million	Annual growth rate (%)	NT$	Annual growth rate (%)	NT$	Annual growth rate (%)		
2008	8,316	2.4	36.160	2.0	570,279	-2.2	6.3	-1.9
2009	8,693	4.5	37.665	4.2	559,807	-1.8	6.7	-1.5
2010	8,846	1.8	38.228	1.5	607,596	8.5	6.3	8.8
2011	9,134	3.3	39.382	3.0	614,922	1.2	6.4	1.4
2012	9,293	1.7	39.935	1.4	630,749	2.6	6.3	2.9
2013	9,742	4.8	41.733	4.5	645,142	3.7	6.4	4.0
2014	10,171	4.4	43.459	4.1	694,680	6.2	6.3	6.5
2015	10,528	3.5	44.870	3.2	726,895	4.6	6.2	4.9
2016	11,081	5.3	47.122	5.0	746,526	2.7	6.3	2.9
2017	11,492	3.7	48.787	3.5	763,445	2.3	6.4	2.4
2018	12,070	5.0	51,186	4.9	777,898	1.9	6.6	2.0

Note: The table was compiled and revised according to the latest data on GDP.

Source: "2018 Domestic Medical and Health care Expenditure" from Ministry of Health and Welfare, Executive Yuan

4) Domestic drug and skincare and beauty retail market

In terms of domestic drug and cosmetics retail market, according to the Department of Statistics of the Ministry of Economic Affairs' "turnover of wholesale, retail and catering industry", its market size has grown from NT$158.5 billion in 2010 to NT$198.1 billion in 2019, with a compound annual growth rate of 2.258%. In 2012, the domestic economy was affected by the European debt crisis, which slowed down the overall market growth, compared with NT$191.8 billion in 2018, an increase of 4.3% compared with the same period of the previous year; on the whole, the domestic retail market of drugs and cosmetics shows a moderate growth trend.

In addition, from 2011 to 2019, the expenditure on health insurance drugs was NT$142.3 billion, NT$141.8 billion, NT$153.9 billion, NT$160.5 billion, NT$162.2 billion, NT$170.2 billion, NT$183.5 billion, NT$195.7 billion and NT$208.1 billion respectively. Due to the growth of population aging and the number of medical visits, major injuries/illness and outpatient chronic diseases, the annual average growth rate of drug expenditure was about 4.31%.

According to the "long-term follow-up survey on the physical and mental social life of the elderly in Taiwan" conducted by the Health Promotion Administration, nearly 90% of the elderly (88.7%) reported that they had at least one chronic disease diagnosed by doctors, and the proportion of the elderly with more than three chronic diseases was as high as 50%; hypertension (46.67%), cataract (42.53%) and heart disease (23.90%) were the most common chronic diseases of the elderly, while in mental health, 13.00% of the male elderly in Taiwan reported depression, while 17.20% of the female elderly in Taiwan reported depression. To evaluate the occurrence of chronic diseases in physiological and psychological aspects, the market demand for prescription drugs for chronic diseases will rise rapidly with the acceleration of population aging.

5) Domestic health foods industry

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

With the improvement of health awareness in domestic consumers in recent years and the increase of chronic illnesses and the aging structure of the population, the demand for health foods and supplements has also increased accordingly. Health foods have gradually become supplements needed by the general public, and have driven for ample market opportunities for biotech foods such as functional foods, nutrition and dietary supplements. Currently, the health foods in Taiwan are mostly products designed to regulate blood lipids, gastrointestinal improvements, immunal regulation, and for liver protection. According to survey and estimates from Industry & Technology Intelligence Service from the Food Industry Research and Development Institute, the scale of the health foods market in Taiwan in 2018 was NT$136.7 billion, showing a 5.79% increase over the previous year. In particular, dietary supplements have shown 6.63% growth, while traditional health foods have grown.

Scale of the Health Foods Market in Taiwan in 2019

Source: Industry & Technology Intelligence Service (ITIS Program) from the Food Industry Research and Development Institute in June 2019

According to Euromonitor, an international market research company, the average compound growth rate of Asia Pacific nutrition and health care product market output value from 2013 to 2018 is 7.40%, which shows that the market scale of Asia Pacific region is expanding year by year, while the product sales market of Taiwan's food biotechnology industry is mostly concentrated in the Asia Pacific region except for Taiwan. And with probiotics, antrodia cinnamomea and other microorganisms in Taiwan's domestic market as the source of nutrition and health care products gradually saturated, and the vitamin nutrition and health care food that appeal as vitamin supplement has already reached the saturation state. However, the application of plant raw materials is still popular, and most of the manufacturers are also developing overseas markets. It is worth noting that the unit price of health care food of capsule and lozenge type is higher than the traditional health food due to the convenience for consumers to take, it is estimated that the output value of food biotechnology will grow in 2021 under the situation of more planned production of capsule, lozenge and overseas marketing.

6) Domestic maternity and baby products market

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

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

A. Overview of milk powder market

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

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

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

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

B. Overview of diaper market

Adult diapers are the daily necessities of long-term bedridden patients and urinary incontinence patients. When entering the aging society, the proportion of the elderly population in the population structure is increasing year by year, and the demand for adult diapers is increasing relatively. From the table below, it can be seen that the elderly population over 65 years old in Taiwan has increased from 2,608 thousand in 2012 to 3,434 thousand in 2018, while the sales volume of adult diapers has grown from 468 million to 545 million, showing that Taiwan is gradually moving towards an aging society. With the improvement of national income, quality of life and the change of health habits, it is expected that the market size of adult diapers will expand steadily in the future.

Overview of diaper sales in Taiwan

我國紙尿褲銷售概況

項目 \ 年別	101年	102年	103年	104年	105年	106年	107年
65歲以上人老年人口數（萬人）	260.8	269.8	280.8	293.8	310.6	326.8	343.4
成人紙尿褲銷售量（億片）	4.68	4.86	5.20	4.93	5.64	5.74	5.45

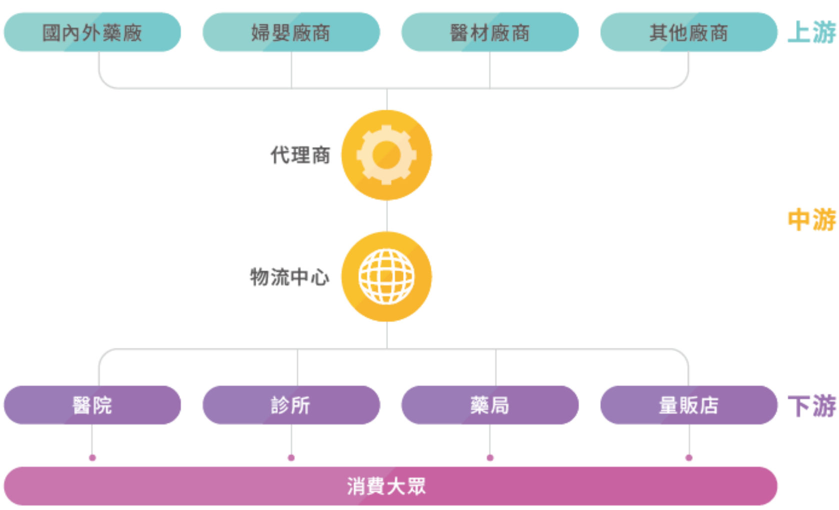
資料來源： 1.「內政統計月報」，內政部統計處。
2.「造紙產銷量統計」，台灣區造紙工業同業公會。

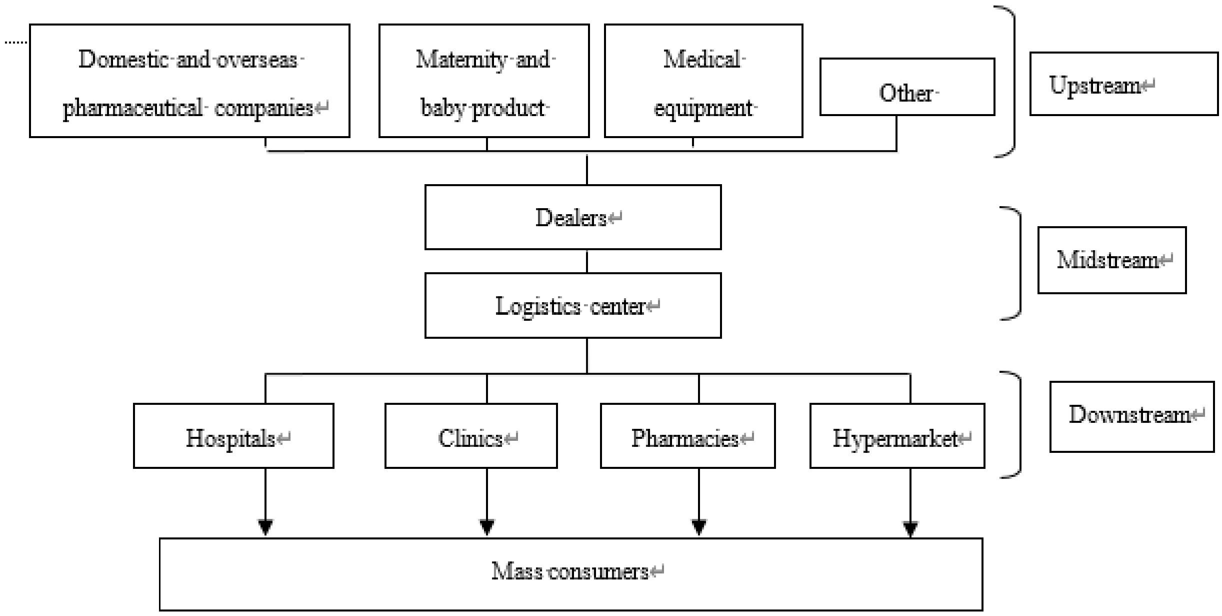
Item/Year	2012	2013	2014	2015	2016	2017	2018
Aged population 65+ (in 10 thousand persons)	260.8	269.8	280.8	293.8	310.6	326.8	343.4
Sales volume of adult diapers (in 100 million pieces)	4.68	4.86	5.20	4.93	5.64	5.74	5.45

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

2. Correlation among upstream, midstream, and downstream of the industry

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





3. Development trends of various products

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

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

4. Product competition

1) Large enterprises have invested toward management of pharmacy channels

Large chain pharmacies in Taiwan, including Healthy Life and Yes Chain are gradually being acquired in recent years, and large drugstore chain like Cosmed has also invested toward health care community drugstores. Though as a Group, the Company's scale is still smaller than our competitors, but in terms of professional drugstore management, we have already rapidly opened new stores and bridged the competitive gap through the GT-POMS system, which is a blend of our 10 years of successful experience. We have also widened the competition in terms of professionalism through our pioneering personal cloud-based health management system.

(III) Technical and R&D Overview

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

(IV) Short/long-term business development plans

(1) Short-term business development plans

1) Continue to optimize store operation model and to expand the scale of business.
2) Continue to differentiate itself with other pharmacies by setting up strategic collaborations with famous oversea companies and through importing competitive products and brands
3) The Company provides consumers with free, professional online health care service through the pioneering Personal Cloud-based Health Management System. The Company plans to mature the system and increase its users in 5 years. The vision is to make it the best virtual channel for health care services in Taiwan.
4) Launch commercial functions on the cloud-based health information platform. Integrate physical and virtual customer service and sales system; Overcome the legal prohibition against drug sales online and establish a direct, fast, and comprehensive bi-lateral health consultation channel for customers.
5) Promote health online network, increase in-store customer service for members, and to build a comprehensive OMO (Online Merge Offline) model.

(2) Long-term development plan

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

II. Market and Sales and Marketing Overview

(I) Market analysis

1. Regions of major products (service) provisions

Unit: NT$ '000, %

Item \ Year	2018		2019	
	Monetary amount	Ratio	Monetary amount	Ratio
Domestic sales	4,846,299	98.89%	6,380,961	96.66%
Exports	54,430	1.11%	220,651	3.34%
Total	4,900,729	100.00%	6,601,612	100.00%

Note: The aforementioned financial information is consolidated information that has adopted IFRS reporting standards.

2. Market share and future supply and demand in the market and growth rate

(1) Market share

The Company is a downstream channel chain business of biotechnology and medical industry. According to the circulation express Vol. 935 in March 2019, as of March 10, 2020, the total number of domestic chain pharmaceutical channel operators is 1,379 stores, whilst the Company has 149 stores on March 10, 2020, accounting for 10.80% of the total number of domestic chain pharmaceutical channels. According to the Department of Statistics of the Ministry of Economic Affairs, the "turnover of wholesale, retail and catering industry" shows that the turnover of Taiwan's drug, medical supplies and cosmetics retail market in 2019 is estimated to be NT$198.1 billion, calculated by the Company's 2019 consolidated financial report turnover of NT$6.601 billion, its market share is about 3.33%.

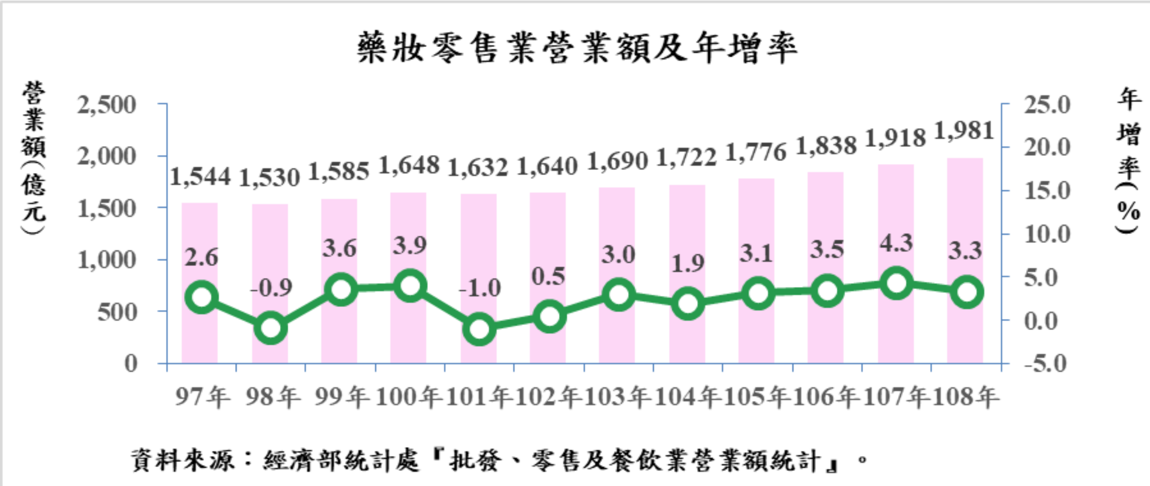
(2) Future supply-demand status and growth in the market

1) Demand side

A. Drug and beauty retail market in Taiwan

According to data from "operating revenue from wholesale, retail and catering industry" from the Department of Statistics, MOEA, the revenue from the retail market for medicine, medical products and beauty/skincare product in Taiwan in 2019 was estimated to be approximately NT$198.1 billion, with an annual growth rate of 3.3%, The average growth rate over the past decade had been 2.25%. It can be seen from the following diagram that the growth of the retail market for drugs and beauty products has low correlations with the domestic economy, and was not severely affected by the economic recession. As the population ageing index reached over 100 in February 2017, indicating that the number of senior citizens has surpassed the number of children for the first time and has continued to soar beyond 110 by the end of 2018 to arrive at 112.6, it is obvious that the ageing society will have an increasing demand for medicine and medical equipment.

As a whole, the pharmacy market in Taiwan continues to show an upward trajectory in the future.



Revenue and Annual Growth Rate of the Skincare/Beauty/Medical Retail Industry											
Turnover (In NT$100 million)											
Annual growth rate (%)											
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Source: "Operating revenue from wholesale, retail and catering industry" from the Department of Statistics in Ministry of Economic Affairs											

B. Biotech health foods market

According to survey and estimates from Industry & Technology Intelligence Service from the Food Industry Research and Development Institute, the scale of the health foods market in Taiwan in 2018was NT$136.7 billion, showing a 5.79% increase over the previous year. In particular, dietary supplements have shown 6.63% growth, while traditional health foods have grown. Date from Euromonitor indicated that the average compound growth rate of the Asia-Pacific nutrition and health care products market from 2013 to 2018 was 7.4%. This indicates that the market size of the Asia-Pacific region is expanding over the years, and that in addition to domestic sales, the sales of food bio-sector sectors from Taiwan are mostly focused on the Asia-Pac region. While the domestic market for health products that mostly use probiotics, burdock and other microbes as raw materials is becoming increasingly saturated, and the vitamins and nutritious foods that appeal to supplement consumer's vitamin needs have already reached saturation; alternatively, relevant businesses are still fond of using plant-based raw materials, and most of the industry is also aiming to develop overseas markets. It is also worth noting that the capsule-type health foods are more convenient for consumers to ingest and the unit price is higher than traditional health foods. Most of the industry competitors are planning to invest in the production of capsule-type health foods and to expand the overseas market. Therefore, it is estimated that the production value of food biotechnology sector will grow in 2021.

C. Maternity and infant products

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

2) Supply side

Since the Company is a downstream channel chain industry in the biotechnology industry, supply side analysis will be based on the production values of upstream domestic and overseas pharmaceutical companies and health food companies. As the global biotechnology and medical industry continues to grow and domestic demand for biotech products increases, adding momentum and business opportunities for the operations of biotech and pharmaceutical industry in Taiwan, the operational scale of biotech medical industry also continues to grow. Statistics from the Ministry of Economic Affairs indicated that in 2018 the revenue forecast for the biotech medical industry had reached NT$514.1 billion, with an overall growth rate of 5.5%. Most of the aforementioned revenue comes from health care, medical equipment, applied biotechnology, and medicine. In particular, medical equipment showed the largest growth rate. In 2018, its revenue was NT$159.2 billion, indicating an annual growth rate of 8.8%. In addition, the revenue from medicine in 2018 was approximately NT$81.3 billion, with an annual growth rate of 1.5%. Applied biotech had approximately NT$103 billion in revenue and 4.5%

annual growth rate, while health care (including health promotions and well-being) had approximately NT$170.6 billion in revenue and 5% annual growth rate.

3) Growth

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

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

3. Competitive Niches

1) Stable customer relations and winning the trust from consumers

Provide consumers with free online professional health care service via our pioneering personal cloud-based health management system on top of providing physical and virtual channels of communication, building the professional brand of "Great Tree" and winning a high sense of reliability from customers.

2) Great Tree Pharmacy management system

The Company boasts of the most experienced and comprehensive core management team throughout the industry. We understand changes in the industry development and our marketing team continuously innovate more diverse types of services. Collectively, we have built the Great tree Pharmacy management system and achieved the ISO09001 and Good Service Provider certifications.

3) Well-rounded teaching system

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

4. Favorable and unfavorable factors in development prospects and countermeasures

1) Favorable factors

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

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

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

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

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

The Company boasts of the most experienced and comprehensive core management team throughout the industry. We understand changes in the industry development and our marketing team continuously innovate more diverse types of services. Collectively, we have built the Great tree Pharmacy management system and achieved the ISO09001 and Good Service Provider certifications, indicating our excellent management efficiency and fulfilling our brand philosophy of "a pharmacy you can trust" in practice.

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

D. Comprehensive educational training system

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

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

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

F. Member customers have high levels of loyalty to the Company's brand, and effectively inject contribution margin

The Company's in-store staff will drive customer flow by inviting members to make repurchases and by organizing promotional activities, thus also increasing brand loyalty and adhesion. The Company currently has nearly 1.8 million members, and since members can enjoy shopping discounts, accumulate bonus points and free online fliers and other benefits, the willingness to make repurchase is effectively stimulated in members. Moreover, the ratio of revenue from members to monthly revenue is gradually increasing, showing that members of the Company have high levels of adhesion to the Company's channel brand, and we hope to continuously drive their contribution margin and to drive the Company's sales.

2) Unfavorable factors

A. Increasingly intense competition with many substitute products

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

Response measures

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

B. Wide variety of products make quality control difficult

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

Response measures

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

(II) Major applications and production process of the primary products

(1) Applications of primary products

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

(2) Product review and launch

Research on new products and market needs → Review of supplier qualifications → Sample evaluation by Purchasing Department → Review by category → Launching of products in retail outlets

(III) Supply status of main materials

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

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

1. Information on major suppliers in the most recent 2 years

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

2. Information on the main customers in the most recent two years

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

(V) Table of production volume in the 2 most recent years

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

(VI) Sales volume in the most recent two fiscal years

Unit: NT$ '000

	2018				2019			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Maternity and infant products	Note 1	2,338,889	Note 1	28,640	Note 1	3,047,098	Note 1	176,396
National Health Insurance (NHI) prescription drugs		744,560		80		986,368		667
Health foods and supplements		1,032,968		19,884		1,357,142		27,769
Health care products		529,272		4,763		731,037		11,817
Others (Note 2)		200,610		1,063		259,316		4,002
Total		4,846,299		54,430		6,380,961		220,651

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

Note 2. Others include living goods and foods.

III. Employee Information in the Last Two Years up to the Date of Publication of This Annual Report

As of April 30, 2020; Unit: persons; years; age

Year		2018	2019	2020 As of April 30
Number of employees (persons)	Manager	7	10	10
	Logistics personnel	203	259	283
	Storefront sales	718	924	1,068
	Total	928	1,193	1,361
Average age		29.20	29.71	29.64
Average year of services		2.43	2.56	2.42
Distribution of education Ratio (%)	Ph.D.	0.11	0.08	0.07
	Masters	0.97	2.10	1.98
	College or university	68.53	77.95	80.68
	High school	30.39	19.28	16.90
	Below high school	-	0.59	0.37

IV. Information on Environmental Protection Expenditures

(I) Application, payment, or establishment of a pollutant-producing permit or pollutant discharge permit or a person designated to set up an environmental protection unit in accordance with the law: the Company is a pharmacy channel and does not have production processes and does not cause pollution. Hence this is not applicable.

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

V. Labor Management Relations

(I) The company's employee welfare policies, continuing education, training, retirement systems and implementation status, the agreement between employees and employer and employees' rights and interests:

(1) Employee benefit measures, continuing studies and training

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

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

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

The Company allocated NT$6,797,055 in 2019 to organize employee travel and health checkup. These benefits were enjoyed by 247 and 943 persons (headcount) respectively. In recent years, the Company has achieved stable revenues, and the allocations of benefits have also increased accordingly. The Employee Welfare Committee will appropriately review and adjust each benefit system to boost the morale of our employees.

To foster both long-term business growth and employee competencies, thereby enhancing work performance and achieving the Company's management goals, the Company is highly focused on the career development and talent cultivation of employees. Educational training has been carried out in the following three categories:

1) Prework training: all new recruits receive prework training to help them to be quickly accustomed to the work environment,

understand the Company system and their rights and obligations.

2) On-the-job training: internal training, selected training, and training from externally commissioned instructors.

3) Talent training: viewed as a long-term investment of employees, on top of various on-the-job training, the Company also adopts overseas trips, visits to famous companies in Taiwan and attending various meetings, or job rotations in employee training.

2019 Educational training courses:

Name of course	Total sessions (1)	Hours per session (2)	Total hours organized (1)*(2)	Total participants trained
New employee course	10	28	280	679
Professional course	34	2	68	522
Course for all employees	19	3	57	924
Management trainee course	4	4	16	60
Total	67	-	421	2,185

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

1) The Company's finance manager and representative of the accounting manager participated in the "Issuer Stock Exchange Accounting Manager Continuing Study Class" hosted by the Accounting Research and Development Foundation (ARDF) had have passed the relevant examination and continue to study toward more advanced courses.
2) The audit supervisor and deputy audit supervisor of the Company have passed the tests of "how the audit supervisor assists the board of directors and its advisory services", "audit practice of subsidiaries", "how the auditors detect fraud in financial statements" and "labor relations in enterprises: the analysis and audit focus of labor contracts, working rules and labor meetings" organized by the the Institute of Internal Auditors-Chinese for continuous education.

(2) Retirement system and implementation

Labor Pension Act was enacted as of July 1, 2005 and the Company adopts defined contribution plans. Employees may elect to apply for either the provisions regarding pensions in the former Labor Standards Law, or the pension system in the current Labor Pension Act and reserve the seniority prior to application of such act. For employees who meet the criteria for the act, upon actuarial accounting from a commissioned actuary, the Company will contribute 2% of the salaries payable in each month toward the pension reserve. The reserve will be deposited to the dedicated pension fund account at the Bank of Taiwan under the name of the Worker Pension Reserve Supervisory Committee and has been approved by the

Taoyuan County Government. The Pension Reserve Supervisory Committee meets every three months and is responsible for the supervision and review of appropriation of pension reserve, deposit, and expenditure. The Company's appropriations for employees who meet the criteria for the act in 2019 was NT$42,837. After July 2005, in line with the government's policy, personal pension reserve account is adopted, and the Company contributes 6% of the employee's monthly salary and deposits the amount into dedicated employee account at the Bureau of Labor Insurance. The Group's appropriations for defined benefits plan in 2019 pursuant to the Labor Pension Act was NT$23,123,480.

(3) Labor relations agreements and protection of various employee rights and interests

1) The Company's measures and regulations regarding labor relations management are all based upon relevant laws. Moreover, the Company has always maintained a self-management and full participation management style, where each department manager and his/her subordinates would effectively communicate through regular business meetings and educational training. Therefore, the Company maintains positive labor relations and has had no relevant disputes.

2) The Company has always been committed to caring for our employees. To prevent occupational disasters and to protect worker safety and health, the Store Development Department has established a set of "Occupational Health and Safety Work Rules," and is responsible for amendments, establishments, promotions and follow-up of occupational health and safety regulations, as well as coordinating and implementing the health inspection tasks at all stores and the head office. The Company has organized labor relations meetings and an Occupational Safety and Health Committee in accordance with relevant laws. Both employer and employees nominated 5 representatives each and regularly convene meetings to discuss worker rights, benefits, and occupational safety matters.

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

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

VI. Material Contracts

Nature of contract	Person involved	Date and duration of the contract	Major content	Restrictive clauses (Note 4)
Lease contract for the head office	Hsiao Wan Chi, Hsiao Wan Chuan, Hsiao Wan Chun, Hsiao Sheng Hsiung, and Hsiao Jung-Hua	July 1, 2014 to December 31, 2023	Office lease	None
Interdisciplinary strategic alliance agreement for pharmacy and convenience store	FamilyMart	May 1, 2015 to April 30, 2022	The Company and Family Mart have formed an cross-industry strategic alliance of "Family Mart + Great Tree Pharmacy," a new type of business model that integrates pharmacy with convenience store	None
Short-term borrowing contract	CTBC Bank Co., Ltd.	March 10,2020 to Apirl 23,2020	Short-term borrowing	None
Short-term borrowing contract	Citibank Taiwan Ltd.	March 25,2020 to September 21,2020	Short-term borrowing	None

Chapter 6. Financial Information

I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Years

1. Condensed Balance Sheet

Condensed Balance Sheet - Consolidated Information

Unit: NT$ '000

Item \ Year		Financial information from the last five fiscal years (Note 1)					Financial information as of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		683,447	1,020,314	1,194,396	1,836,087	1,983,207	2,621,040
Property, plant, and equipment (Note 2)		157,927	213,769	281,558	385,621	569,754	609,882
Right-of-use assets		-	-	-	-	2,033,808	2,012,809
Intangible assets		1,146	440	2,997	3,061	20,675	18,263
Other assets (Note 2)		26,368	45,384	58,164	81,019	70,636	75,722
Total assets		868,888	1,279,907	1,537,115	2,305,788	4,678,080	5,337,716
Current liabilities	Before distribution	320,747	537,361	723,089	926,252	1,548,137	2,181,853
	After distribution	371,267	571,841	777,991	973,769	Undistributed	Undistributed
Non-current liabilities		6,796	6,121	7,373	303,883	1,907,466	1,865,898
from financing activities	Before distribution	327,543	543,482	730,462	1,230,135	3,455,603	4,047,751
	After distribution	378,063	577,962	785,364	1,277,652	Undistributed	Undistributed
Equity attributable to owners of parent company		541,345	736,425	804,713	1,051,736	1,200,550	1,268,375
Capital		231,000	265,230	305,015	365,516	432,271	435,446
Capital reserve		137,814	268,939	269,539	435,799	534,710	553,289
Retained earnings	Before distribution	172,531	202,256	230,159	250,421	233,569	279,640
	After distribution	122,011	127,991	175,257	202,904	Undistributed	Undistributed
Other equity		-	-	-	-	-	-
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	1,940	23,917	21,927	21,590
Total equity	Before distribution	541,345	736,425	806,653	1,075,653	1,222,477	1,289,965
	After distribution	490,825	701,945	751,751	1,028,136	Undistributed	Undistributed

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

Note 1. The aforementioned financial statements have been audited by CPA. The First Quarter 2020 financial statement has been reviewed by CPA.

Note 2. For those who have carried out asset revaluation, the date of the revaluation and amount of revaluation should be stated: Not applicable.

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

Note 4. For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

Condensed Balance Sheet - Individual Information

Unit: NT$ '000

Item \ Year		Financial information from the last five fiscal years (Note 1)					Financial information as of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		652,856	976,244	1,160,513	1,731,732	1,933,428	Not applicable
Property, plant, and equipment (Note 2)		129,236	190,505	261,834	366,741	515,196	
Right-of-use assets		-	-	-	-	1,956,027	
Intangible assets		1,146	440	2,997	3,061	20,675	
Other assets (Note 2)		75,591	100,903	114,894	165,276	179,974	
Total assets		858,829	1,268,092	1,540,238	2,266,810	4,605,300	
Current liabilities	Before distribution	310,808	525,666	728,272	911,430	1,565,322	
	After distribution	361,328	560,146	783,174	958,947	Undistributed	
Non-current liabilities		6,676	6,001	7,253	303,644	1,839,428	
from financing activities	Before distribution	317,484	531,667	735,525	1,215,074	3,404,750	
	After distribution	368,004	566,147	790,427	1,262,591	Undistributed	
Equity attributable to owners of parent company		541,345	736,425	804,713	1,051,736	1,200,550	
Capital		231,000	265,230	305,015	365,516	432,271	
Capital reserve		137,814	268,939	269,539	435,799	534,710	
Retained earnings	Before distribution	172,531	202,256	230,159	250,421	233,569	
	After distribution	122,011	127,991	175,257	202,904	Undistributed	
Other equity		-	-	-	-	-	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	541,345	736,425	804,713	1,051,736	1,200,550	
	After distribution	490,825	701,945	749,811	1,004,219	Undistributed	

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

Note 1. The aforementioned financial statements have been audited by CPA. No CPA audited individual financial statement prepared in accordance with IFRS is available for the First Quarter of 2020.

Note 2. For those who have carried out asset revaluation, the date of the revaluation and amount of revaluation should be stated: Not applicable.

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

Note 4. For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

2. Condensed Comprehensive Income Statemen

Condensed Comprehensive Income Statement - Consolidated Information

Unit: NT$ '000 (except for EPS, which is NTD)

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information as of March 31, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Net operating revenue	2,159,857	2,802,016	3,623,734	4,900,729	6,601,612	2,015,073
Gross profit	537,874	678,235	920,002	1,205,746	1,595,620	496,309
Operating profit	78,990	100,733	108,287	124,532	142,371	53,531
Non-operating income and expenses	19,901	12,886	15,556	10,328	28,724	4,111
Profit before tax	98,891	113,619	123,843	134,860	171,095	57,642
Continuing operations Net income	77,466	92,865	102,358	105,979	133,995	45,734
Net income	77,466	92,865	102,358	105,979	133,995	45,734
Other comprehensive income (loss) for the period (Net income after tax)	(458)	10	(250)	(337)	(1,319)	-
Total comprehensive income (loss)	77,008	92,875	102,108	105,642	132,676	45,734
Net income attributable to owners of the parent company	77,466	92,875	102,418	105,642	132,676	45,734
Net income attributable to non-controlling interests	-	-	(60)	(23)	(1,990)	(337)
Total comprehensive income attributable to owners of the parent company	77,008	92,875	102,168	105,665	134,666	46,071
Total comprehensive income attributable to non-controlling interests	-	-	(60)	(23)	(1,990)	(337)
Earnings per share, EPS (NT$)	2.13	2.50	2.70	2.66	3.25	1.08

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

Note 1. Note 1: The aforementioned financial statements have been audited by CPA. The First Quarter 2020 financial statement has been reviewed by CPA.

Note 2. For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

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

Condensed Comprehensive Income Statement - Individual Information

Unit: NT$ '000 (except for EPS, which is NTD)

Item / Year	Financial information for the most recent five years (Note 1)					Financial information as of March 31, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Net operating revenue	2,116,576	2,881,999	3,606,685	4,914,093	6,701,943	Not applicable
Gross profit	487,796	622,508	870,767	1,161,196	1,514,880	
Operating profit	63,102	80,615	91,074	113,561	103,745	
Non-operating income and expenses	30,958	27,408	27,954	16,855	56,654	
Profit before tax	94,060	108,023	119,028	130,416	160,399	
Continuing operations Net income	77,466	92,865	102,418	106,002	135,985	
Net income	77,466	92,865	102,418	106,002	135,985	
Other comprehensive income (loss) for the period (Net income after tax)	-458	10	-250	-337	-1319	
Total comprehensive income (loss)	77,008	92,875	102,168	105,665	135,985	
Net income attributable to owners of the parent company	77,466	92,865	102,418	106,002	135,985	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	77,008	92,875	102,168	105,665	134,666	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share, EPS (NT$)	2.13	2.50	2.70	2.66	3.25	

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

Note 1. The aforementioned financial statements have been audited by CPA. No CPA audited individual financial statement prepared in accordance with IFRS is available for the First Quarter of 2020.

Note 2. For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

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

3. Names of CPA and audit opinion for the past five years

Year	Name of accounting firm (Note)	Name of CPA (Note)	Audit opinion
2015	Ernst & Young	Cheng Ching Piao, Hung Mao Yi	Unreserved opinion
2016	Ernst & Young	Cheng Ching Piao, Hung Mao Yi	Unreserved opinion
2017	Ernst & Young	Lo Hsiao Chin, Cheng Ching Piao	Unreserved opinion
2018	Ernst & Young	Lo Hsiao Chin, Cheng Ching Piao	Unreserved opinion
2019	Ernst & Young	Lo Hsiao Chin, Cheng Ching Piao	Unreserved opinion

Note: CPAs were replaced in 2017 due to internal rotation of CPA in Ernst & Young.

II. Financial Analysis for the 5 Most Recent Fiscal Years

Financial analysis for the 5 most recent years - Consolidated information

Analysis item (Note 2)/Year (Note 1)		Financial analysis for the 5 most recent years					Current year up to March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure	Debt-asset Ratio (%)	37.70	42.46	47.52	53.35	73.87	75.83
	Proportion of long-term capital in PP&E (%)	347.09	347.36	289.11	357.74	120.22	120.33
Solvency	Current ratio	213.08	189.87	165.18	198.23	128.10	120.13
	Quick ratio	102.65	104.76	89.63	117.75	50.57	52.17
	Interest coverage ratio	Note 7	Note 7	571.71	39.50	6.35	9.02
Operating performance	Receivables turnover rate (times)	17.23	13.26	13.15	15.64	18.99	21.31
	Average collection days	22	28	28	23	19	17
	Inventory turnover rate (times)	5.67	5.73	5.76	5.99	5.32	4.66
	Payables turnover rate (times)	7.05	8.45	5.39	5.51	5.69	5.64
	Average days for sale	65	64	64	61	68	78
	Property, plant, and equipment turnover rate (times)	16.79	15.08	14.63	14.69	4.42	3.08
	Total asset turnover rate (times)	2.62	2.61	2.57	2.55	1.89	1.61
Profitability	Return on assets (%)	9.40	8.64	7.28	5.66	4.45	1.03
	Return on equity (%)	15.12	14.54	13.27	11.26	11.66	3.64
	Ratio of profit before tax on paid-in capital (%)	42.81	42.84	40.60	36.9	39.58	13.24
	Net income ratio (%)	3.59	3.31	2.82	2.16	2.03	2.27
	Earnings per share (NT$)	2.13	2.50	2.70	2.66	3.25	1.08
Cash flow	Cash flow ratio (%)	Note 8	24.03	21.69	14.18	14.53	15.61
	Cash flow adequacy ratio (%)	37.62	42.48	45.78	39.65	34.2	35.20
	Cash flow reinvestment ratio (%)	Note 8	9.22	12.69	4.81	4.17	7.78
Leverage	Operating leverage	4.62	5.78	5.46	6.27	7.24	6.04
	Financial leverage	1	1	1	1	1.23	1.16

Please explain about the changes in various financial ratios in the most recent 2 years.
The following analysis are for financial ratios with 20% or more of changes in years 2019 and 2018:

1. The increase in the ratio of liabilities to assets is mainly due to the increase in lease liabilities due to the application of the new IFRS16 in the current year.
2. The decrease in the ratio of long-term capital to PP&E and the turnover of PP&E is mainly due to the increase in the right-of-use asset due to the application of the new IFRS16 lease in the current year.
3. The decrease in current ratio and quick ratio compared with the previous period is mainly due to the increase in lease liabilities due to the application of the new IFRS16 lease in this year, and the increase in current liabilities is due to the fact that convertible corporate bonds have matured within one year and can exercise the put opinion.
4. The interest coverage ratio decreased compared with the previous period, mainly due to the increase in interest expense of lease liabilities recognized due to the application of IFRS16 lease in the current year.
5. The turnover of receivables increased compared with the previous period, mainly due to the significant increase in revenue due to the new opened 37 stores in the current year.
6. The turnover of total assets and the return on assets decreased compared with the previous period, mainly due to the significant increase in the right-of-use assets due to the application of IFRIS16 lease in the current year.

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

Financial analysis for the 5 most recent years - Individual information

Analysis item (Note 2)/Year (Note 1)		Financial analysis for the 5 most recent years					Current year up to March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure	Debt-asset Ratio (%)	36.97	41.93	47.75	53.6	73.93	Not applicable
	Proportion of long-term capital in PP&E (%)	424.05	389.71	310.11	369.57	123.02	
Solvency	Current ratio	210.05	185.72	159.35	190	123.52	
	Quick ratio	96.89	123.85	102.34	127.73	65.75	
	Interest coverage ratio	Note 7	Note 7	549.52	38.2	6.2	
Operating performance	Receivables turnover rate (times)	19.81	11.17	9.32	10.92	11.83	
	Average collection days	19	33	40	33	31	
	Inventory turnover rate (times)	5.72	7.29	7.87	7.92	7.19	
	Payables turnover rate (times)	7.19	6.5	5.41	5.59	5.78	
	Average days for sale	64	51	47	46	51	
	Property, plant, and equipment turnover rate (times)	20.71	18.03	15.95	15.64	4.72	
	Total asset turnover rate (times)	2.63	2.71	2.57	2.58	1.95	
Profitability	Return on assets (%)	9.62	8.73	7.31	5.72	4.56	
	Return on equity (%)	15.12	14.54	13.29	11.42	12.08	
	Ratio of profit before tax on paid-in capital (%)	40.72	40.73	39.02	35.68	37.11	
	Net income ratio (%)	3.66	3.22	2.84	2.16	2.03	
	Earnings per share (NT$)	3.19	3.57	3.36	2.66	3.25	
Cash flow	Cash flow ratio (%)	Note 8	23.47	21.21	12.93	14.17	
	Cash flow adequacy ratio (%)	24.95	36.32	42.67	41.71	39.65	
	Cash flow reinvestment ratio (%)	Note 8	8.71	12.78	4.1	4.29	
Leverage	Operating leverage	5.47	5.78	6.31	6.81	9.75	
	Financial leverage	1	1	1	1.03	1.33	

Please explain about the changes in various financial ratios in the most recent 2 years.
The following analysis are for financial ratios with 20% or more of changes in years 2019 and 2018:

1. The increase in the ratio of liabilities to assets is mainly due to the increase in lease liabilities due to the application of the new IFRS16 in the current year.
2. The decrease in the ratio of long-term capital to PP&E and the turnover of PP&E is mainly due to the increase in the right-of-use asset due to the application of the new IFRS16 lease in the current year.
3. The decrease in current ratio and quick ratio compared with the previous period is mainly due to the increase in lease liabilities due to the application of the new IFRS16 lease in this year, and the increase in current liabilities is due to the fact that convertible corporate bonds have matured within one year and can exercise the put opinion.
4. The interest coverage ratio decreased compared with the previous period, mainly due to the increase in interest expense of lease liabilities recognized due to the application of IFRS16 lease in the current year.
5. The turnover of total assets and the return on assets decreased compared with the previous period, mainly due to the significant increase in the right-of-use assets due to the application of IFRIS16 lease in the current year.

Note 1. aforementioned financial information have all been audited by CPA.
Note 2. calculation formula shall be included at the end of this table on the Annual Report:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.
(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
(3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.

3. Operating performance
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average Collection Days = 365 / Receivables Turnover Rate.
   (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average Days for Sale = 365 / Inventory Turnover Rate.
   (6) Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
   (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)] / Average total asset value.
   (2) Return on equity = net income after tax / average equity
   (3) Net margin = net income / net sales.
   (4) Earnings per share = (net income (loss) attributable to owners of parent company – dividends on preferred shares) / weighted average number of issued shares.
5. Cash flow
   (1) Cash flow ratio = net operating cash flow / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash re-investment ratio = (Net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital).
6. Leverage:
   (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.
   (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

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

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

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

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

III. Supervisors' Audit Report for the Financial Statements in the Most Recent Year

Great Tree Pharmacy Co., Ltd.
Supervisors' Audit Report

Please acknowledge

The Board of Directors has prepared and submitted the Company's 2019 Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and the Appropriation of Net Income, in which the Financial Statements (including Individual and Consolidated Financial Statements) have been audited by CPAs Lo Hsiao Chin and Cheng Ching Piao from Ernst & Young Taiwan, who have also disclosed a CPA Audit Report. The aforementioned Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and Appropriation of Net Income have been reviewed by Supervisors, and no discrepancies have been found. Therefore, an Audit Report has been prepared in accordance with Article 219 of the Company Act. Please review accordingly.

To

2020 General Shareholders’ Meeting

Great Tree Pharmacy Co., Ltd.

Supervisor Liu Shu Liang

March 9, 2020

Great Tree Pharmacy Co., Ltd.
Supervisors' Audit Report

Please acknowledge

The Board of Directors has prepared and submitted the Company's 2019 Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and the Appropriation of Net Income, in which the Financial Statements (including Individual and Consolidated Financial Statements) have been audited by CPAs Lo Hsiao Chin and Cheng Ching Piao from Ernst & Young Taiwan, who have also disclosed a CPA Audit Report. The aforementioned Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and Appropriation of Net Income have been reviewed by Supervisors, and no discrepancies have been found. Therefore, an Audit Report has been prepared in accordance with Article 219 of the Company Act. Please review accordingly.

To

2020 General Shareholders' Meeting

Great Tree Pharmacy Co., Ltd.

Supervisor Chen Hung Yi

March 9, 2020

Great Tree Pharmacy Co., Ltd.
Supervisors' Audit Report

Please acknowledge

The Board of Directors has prepared and submitted the Company's 2019 Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and the Appropriation of Net Income, in which the Financial Statements (including Individual and Consolidated Financial Statements) have been audited by CPAs Lo Hsiao Chin and Cheng Ching Piao from Ernst & Young Taiwan, who have also disclosed a CPA Audit Report. The aforementioned Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and Appropriation of Net Income have been reviewed by Supervisors, and no discrepancies have been found. Therefore, an Audit Report has been prepared in accordance with Article 219 of the Company Act. Please review accordingly.

To

2020 General Shareholders’ Meeting

Great Tree Pharmacy Co., Ltd.

Supervisor Hsieh Po Chuan

March 9, 2020

IV. CPA Audit Report of the Financial Statements in the Most Recent Year

English Translation of Financial Statements and a Report Originally Issued in Chinese

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Great Tree Pharmacy Co., Ltd. as of December 31, 2019 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Great Tree Pharmacy Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Great Tree Pharmacy Co., Ltd..

By

Liu Yu Teng
Chairman

March 9th, 2020

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To Great Tree Pharmacy Co., Ltd.

Audit opinion

We have audited the accompanying consolidated balance sheets of Great Tree Pharmacy Co., Ltd. (the “Company”) and its subsidiaries as of December 31, 2019 and December 31, 2018, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years ended December 31, 2019 and December 31, 2018, as well as Notes to the Consolidated Financial Statements, including the Summary of Significant Accounting Policies (together “the Consolidated Financial Statements”).

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2019 and December 31, 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and December 31, 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee, or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 Consolidated Financial Statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Great Tree Pharmacy Co., Ltd. and its subsidiaries recognized operating revenue of NT$6,601,612 thousand in 2019. Since the Group's sources of revenue include different selling models such as retail transactions at pharmacies and revenue from management services and more, the judgment over performance obligation and the timing of its fulfillment over customer orders or contracts was needed, therefore leading to significant risk of revenue recognition. Hence, we have decided to include this as a key audit matter. Our audit procedures include (but are not limited to):understanding each selling model, evaluating the appropriateness of revenue recognition policy related to obligation fulfillment under each model, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle, conducting detailed testing by sampling the sales receipts, and conducting analytical review procedure and carrying out cut-off tests and more. Our accountants have also considered the appropriateness of revenue disclosure identified in Note 6 of the Consolidated Financial Statements.

Inventory Valuation

As of December 31, 2019, the net inventory of Great Tree Pharmacy Co., Ltd. and its subsidiaries was NT$1,160,265 thousand , accounting for 25% of the consolidated total asset. Main businesses of Great Tree Pharmacy Co., Ltd. and its subsidiaries include trading of baby, kids and maternity products and various drugs. Most of their products have shelf lives, leading evaluations of allowance for inventory valuation and obsolescence loss to require material judgment from the Company's management. Therefore, this was included as a key audit matter. Our audit procedures include (but are not limited to): evaluating the appropriateness of the policy of allowance for inventory valuation and obsolescence loss, evaluating the management method for near expiring goods and identification of expired inventory and testing the effectiveness of the relevant internal control, sampling the inventory aging report to test its accuracy and selecting significant inventory location for physical inventory observation and count, and inspecting current inventory and utilization status and more. We have also taken the appropriateness of inventory disclosure in Note 5 and Note 6 in the Notes to Consolidated Financial Statements into consideration.

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

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

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

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

Responsibilities of the CPA in auditing the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (merge with following line)

   The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of

accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The CPA is responsible for the guidance, supervision, and implementation of the Group's audit and responsible for forming audit opinions on the Group.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion including and Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and December 31, 2018.

Areas of Significant Attention: Applicability of New Accounting Standards

As stated in Note 3 of the Notes to the Consolidated Financial Statements, IFRS 16 Leases was applicable for Great Tree Pharmacy Co., Ltd. and its subsidiaries as of January 1, 2019, and the Company has chosen not to recompile the consolidated financial statements during the transitional period of comparison. We have not amended our audit conclusion based on this fact.

Ernst & Young
Financial Report of TWSE Listed Company as Authorized by the Competent Authority
Auditing and Attestation No. (2017) FSC No. 1060026003
(2014) FSC No. 1030025503

Lo Hsiao Chin

Certified Public Accountant (CPA)

Cheng Ching Piao

March 9, 2020

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2019 and 2018
(Amounts expressed in thousands of New Taiwan Dollars)

Asset			December 31, 2019		December 31, 2018	
Code	Accounting Item	Note	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4 and 6.1	$308,123	7	$633,661	28
1136	Financial assets measured at amortized cost	4, 6.2, and 8	24,000	-	24,000	1
1150	Net bills receivable	4 and 6.3	3,246	-	2,072	-
1170	Net accounts receivable	4 and 6.4	340,986	7	347,894	15
1200	Other receivables		101,884	2	80,164	4
1220	Income tax asset for the period		37	-	37	-
1310	Inventory	4 and 6.5	1,160,265	25	716,655	31
1410	Prepaid expenses		40,115	1	28,773	1
1470	Other current assets		4,551	-	2,831	-
	Total current assets		1,983,207	42	1,836,087	80
15xx	Non-current assets					
1535	Financial assets measured at amortized cost	4, 6.2, and 8	3,000	-	3,000	-
1600	Property, plant, and equipment	4 and 6.6	569,754	12	385,621	17
1755	Right-of-use assets	4 and 6.17	2,033,808	44	-	-
1780	Intangible assets	4 and 6.7	20,675	-	3,061	-
1840	Deferred income tax assets	4 and 6.21	3,427	-	2,409	-
1900	Other non-current assets	6.8	64,209	2	75,610	3
	Total non-current assets		2,694,873	58	469,701	20
1xxx	Total assets		$4,678,080	100	$2,305,788	100

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2019 and 2018
(Amounts expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2019		December 31, 2018	
Code	Accounting Item	Note	Amount	%	Amount	%
21xx	Current liabilities					
2130	Contract liabilities	4 and 6.15	$7,053	-	$4,398	-
2150	Bills payable		280,594	6	368,504	16
2170	Accounts payable		689,831	15	420,482	18
2200	Other payables	4 and 6.10	132,664	3	106,144	5
2230	Tax liabilities for this period	4 and 6.21	23,395	-	19,432	1
2280	Lease liabilities	4 and 6.17	216,973	5	-	-
2321	Corporate bonds that mature or execute the right to sell back within one year or one operating cycle	4 and 6.11	183,701	4	-	-
2300	Other current liabilities		13,926	-	7,292	-
	Total current liabilities		1,548,137	33	926,252	40
25xx	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss	4 and 6.9	-	-	3,690	-
2530	Bonds payable..	4 and 6.11	-	-	286,569	12
2580	Lease liabilities	4 and 6.17	1,876,656	40	-	-
2640	Net defined benefit liabilities	4 and 6.12	4,795	-	3,656	-
2645	Guarantee deposits		26,015	1	9,968	1
	Total non-current liabilities		1,907,466	41	303,883	13
2xxx	Total liabilities		3,455,603	74	1,230,135	53
31xx	Equity attributable to owners of parent company					
3100	Share Capital	6.13				
3110	Ordinary share capital		425,820	9	365,516	16
3140	Prepaid share capital		6,451	-	-	-
3200	Capital reserve.	6.13	534,710	12	435,799	19
3300	Retained earnings.	6.13				
3310	Legal capital reserve		59,821	1	49,220	2
3350	Unappropriated earnings		173,748	4	201,201	9
36xx	Non-controlling interests		21,927	-	23,917	1
3xxx	Total equity		1,222,477	26	1,075,653	47
	Total liabilities and equity.		$4,678,080	100	$2,305,788	100

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Amounts Expressed in thousands of New Taiwan Dollars ,except for earnings per share)

Code	Item	Note	2019		2018	
			Amount	%.	Amount	%.
4000	Operating revenue	4 and 6.15	$6,601,612	100	$4,900,729	100
5000	Operating costs		(5,005,992)	(76)	(3,694,983)	(75)
5900	Gross profit		1,595,620	24	1,205,746	25
6000	Operating expenses					
6100	Sales and marketing		(1,222,010)	(19)	(876,875)	(18)
6200	General and administrative		(230,880)	(3)	(204,280)	(4)
6450	Expected credit impairment loss	4 and 6.16	(359)	-	(59)	-
	Total operating expenses		(1,453,249)	(22)	(1,081,214)	(22)
6900	Operating profit		142,371	2	124,532	3
7000	Non-operating income and expenses					
7010	Other income	4 and 6.19	52,615	1	16,390	-
7020	Other gains and losses.	4 and 6.19	3,051	-	(2,648)	-
7050	Finance costs.	4 and 6.19	(26,942)	-	(3,414)	-
	Total non-operating income and expenses		28,724	1	10,328	-
7900	Profit before tax		171,095	3	134,860	3
7950	Income tax expenses	4 and 6.21	(37,100)	(1)	(28,881)	(1)
8200	Net income		133,995	2	105,979	2
8300	Other comprehensive income (loss)	4 and 6.20				
8310	Items that will not be reclassified to profit or loss:					
8311	Actuarial gain(loss) from remeasurement of defined benefit plans		(1,319)	-	(337)	-
	Total other comprehensive income (loss), net of tax		(1,319)	-	(337)	-
8500	Total comprehensive income (loss)		$132,676	2	$105,642	2
8600	Net income attributable to:					
8610	Owners of the parent company		$135,985	2	$106,002	2
8620	Non-controlling interests		(1,990)	-	(23)	-
			$133,995	2	$105,979	2
8700	Total Comprehensive Income Attributable to:..					
8710	Owners of the parent company		$134,666	2	$105,665	2
8720	Non-controlling interests		(1,990)	-	(23)	-
			$132,676	2	$105,642	2
	Earnings per share, EPS (NT$)					
9750	Basic earnings per share	4 and 6.22	$3.25		$2.66	
9850	Diluted earnings per share.	4 and 6.22	$2.90		$2.53	

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

For the years ended December 31, 2019 and 2018

(Amounts expressed in thousands of New Taiwan Dollars)

		Equity attributable to owners of parent company							
					Retained earnings				
	Item	Share Capital	Prepaid share capital	Capital reserve	Legal capital reserve	Unappropriated earnings	Total	Non-controlling interests	Total equity
Code		3100	3140	3200	3310	3350	31XX	36XX	3XXX
A1	Balance as of January 1, 2018	$305,015	$-	$269,539	$38,978	$191,181	$804,713	$1,940	$806,653
	Appropriations of net income in 2017								
B1	Legal capital reserve				10,242	(10,242)	-		-
B5	Cash dividends					(54,902)	(54,902)		(54,902)
B9	Stock dividends	30,501				(30,501)	-		-
C5	Equity component item recognized for issuance of convertible bonds - arising from recognition of equity			10,001			10,001		10,001
D1	Net profit in 2018					106,002	106,002	(23)	105,979
D3	Other comprehensive income (loss) in 2018					(337)	(337)	-	(337)
D5	Total comprehensive income (loss)	-	-	-	-	105,665	105,665	(23)	105,642
E1	Cash capital increase	30,000		156,000			186,000		186,000
N1	Share-based payment transactions			259			259		259
O1	Increase/decrease in non-controlling interests						-	22,000	22,000
Z1	Balance as of December 31, 2018	$365,516	$-	$435,799	$49,220	$201,201	$1,051,736	$23,917	$1,075,653
A1	Balance as of January 1, 2019	$365,516	$-	$435,799	$49,220	$201,201	$1,051,736	$23,917	$1,075,653
A3	Effects of retrospective application and retrospective restatement					(56,484)	(56,484)		(56,484)
A5	Balance as of January 1, 2019 after recompilation	365,516	-	435,799	49,220	144,717	995,252	23,917	1,019,169
	Appropriations of net income in 2018.								
B1	Legal capital reserve				10,601	(10,601)	-		-
B5	Cash dividends					(47,517)	(47,517)		(47,517)
B9	Stock dividends	47,517				(47,517)	-		-
D1	Net profit in 2019					135,985	135,985	(1,990)	133,995
D3	Other comprehensive income (loss) in 2019					(1,319)	(1,319)	-	(1,319)
D5	Total comprehensive income (loss)	-	-	-	-	134,666	134,666	(1,990)	132,676
I1	Convertible corporate bond conversion	9,227	6,451	92,191			107,869		107,869
N1	Share-based payment transactions	3,560		6,720			10,280		10,280
Z1	Balance as of December 31, 2019.	$425,820	$6,451	$534,710	$59,821	$173,748	$1,200,550	$21,927	$1,222,477

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Statement of Cash Flows

For the years ended December 31, 2019 and 2018

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2019 Amount	2018 Amount
AAAA	Cash flow from operating activities:		
A10000	Cash flow from investing activities:	$171,095	$134,860
A20000	Adjustment items:		
A20010	Gain or loss items that do not affect cash flow:		
A20100	Depreciation expense (including right-of-use asset)	320,570	62,060
A20200	Amortization expenses	9,072	5,571
A20300	Expected credit impairment loss	359	59
A20400	Valuation loss (gain) on financial liabilities measured at fair value through profit or loss	(3,639)	2,250
A20900	Interest expenses	26,942	3,414
A21200	Interest revenue	(1,006)	(1,431)
A21900	Cost of share-based payments	66	259
A22500	Loss on disposal of property, plant, and equipment	-	482
A29900	Other item - gain on lease modifications	(1,129)	-
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Decrease (increase) in bills receivable	(1,174)	(1,541)
A31150	Decrease (increase) in accounts receivable	6,549	(72,398)
A31180	Decrease (increase) in other receivables	(21,720)	(36,329)
A31200	Decrease (increase) in inventory	(443,610)	(204,607)
A31230	Decrease (increase) in prepaid items	(11,342)	5,478
A31240	Decrease (increase) in other current assets	(1,720)	(710)
A31990	Decrease (increase) in other non-current assets	-	(6,432)
A32125	Contract liabilities	2,655	1,701
A32130	Notes payable	(87,910)	118,526
A32150	Accounts payable	269,349	118,066
A32180	Other payables	18,176	25,389
A32230	Other current liabilities	6,634	(2,662)
A32240	Net defined benefit liabilities	(180)	(167)
A33000	Cash inflow (outflow) from operating activities	258,037	151,838
A33100	Interest received	1,006	1,431
A33300	Interest paid	-	(428)
A33500	Income tax paid	(34,155)	(21,510)
AAAA	Net cash inflow (outflow) from operating activities	224,888	131,331

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Statement of Cash Flows(continued)

For the years ended December 31, 2019 and 2018

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2019 Amount	2018 Amount
BBBB	Cash flow from investing activities:		
B00050	Disposal of financial assets measured at amortized cost	-	27,240
B02200	Acquisition of property, plant, and equipment	(251,706)	(176,759)
B02800	Disposal of property, plant, and equipment	-	4,476
B03700	Decrease (increase) in guarantee deposits	(12,810)	(5,843)
B04500	Acquisition of intangible assets	(26,686)	(5,635)
BBBB	Net cash inflow (outflow) from investing activities	(291,202)	(156,521)
CCCC	Cash flow from financing activities:		
C00100	Increase(decrease) of short-term loans	-	(70,000)
C02600	Cash received from issuance of corporate bond	-	295,000
C03000	Increase (decrease) in guarantee deposits received	16,047	6,081
C04020	Repayment of principal on loan	(237,968)	-
C04500	Cash dividend payout	(47,517)	(54,902)
C04600	Cash capital increase	-	186,000
C04800	Employees exercising share option	10,214	-
C05800	Increase (decrease) in non-controlling interest	-	22,000
CCCC	Net cash inflow (outflow) from financing activities	(259,224)	384,179
EEEE	Net increase (decrease) in cash and cash equivalents	(325,538)	358,989
E00100	Beginning balance of cash and cash equivalents	633,661	274,672
E00200	Ending balance of cash and cash equivalents	$308,123	$633,661

The accompanying notes are an integral part of the consolidated financial statements.

I. Company overview

Great Tree Pharmacy Co., Ltd. (hereinafter referred to as "the Company") was authorized to be established on May 15, 2001. Our main businesses include management and trade of various drugs, health products, goods for mothers and babies, 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.

II. Dates and procedures of approving financial statements

The 2019 and 2018 Consolidated Financial Statements of the Company and its subsidiaries (hereinafter referred to as "the Group") have been approved and announced by the Board of Directors on March 9, 2020.

III. Applicability of new and amended accounting principles and explanations

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

   The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Standing Interpretations approved by the Financial Supervisory Commission (FSC) and have been applicable since January 1, 2018. First-time adoption has not had significant influences on the Group besides the following explanations on the characters and impacts from the new standards and amendments:

   (1) IFRS 16 - Lease

   IFRS 16 has replaced IAS 17 - Leases, IFRIC Interpretation 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases-Incentives, and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Pursuant to transitional treatment of IFRS 16, the Group's initial adoption was on January 1, 2019. Effects from adoption of IFRS 16 will be explained in the following:

A. An explanation of the Group's applicable accounting policies before and after January 1, 2019 can be found at Note 4.

B. Definition of lease: the Group has chosen not to re-evaluate whether contracts were (or included) leases on January 1, 2019. The Group has applied the lease contracts identified during adoption of IAS 17 and IFRIC 4 to IFRS 16. Then, contracts that were identified as excluding lease during adoption of IAS 17 and IFRIC 4 were identified as inapplicable for IRFS 16. In other words, the Group only evaluates contracts signed (or changed) on or after January 1, 2019 for applicability of IFRS Leases. Compared with IAS 17, IFRS 16 stipulates that a contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. After evaluating the definition of the application of the new leases for most circumstances, the Group has concluded that no material impact has been made to the evaluation of whether a contract is (or includes) a lease.

C. The Group as lessee, is applicable for the transitional treatment of IFRS 16, and has chosen not to recompile the comparison information. Cumulative effects during first-time adoption on January 1, 2019 were used as adjustments to the beginning balance of retained earnings on the first day of adoption.

(a) Leases classified as operating lease

The Group is expected to measure and recognize lease liabilities on January 1, 2019 for the leases classified as operating lease during adoption of IAS 17 based on the present value of lease benefits balance (discounted using the lessee's incremental borrowing rate as of January 1, 2019). Additionally, the carrying amounts of right-of-use asset will be used to measure and recognize right-of-use assets on the basis of individual leases, as the IFRS 16 has been applied from the beginning, in which the discounted borrowing rate of the lessee will be used on January 1, 2019.

On January 1, 2019, the Company's right-of-use asset has increased by NT$1,423,600 thousand on January 1, 2019; lease liabilities will increase by NT$1,477,240 thousand and the NT$53,640 thousand difference will be adjusted to retained earnings.

On January 1, 2019, right-of-use asset in subsidiary - Ivy Biotechnology Co., Ltd., has increased by NT$46,974 thousand; lease liabilities will increase by NT$49,818 thousand and the NT$2,844 thousand difference will be adjusted to retained earnings.

In addition, on January 1, 2019, for all leases that were classified as operating leases through application of IAS 17 - Leases and have paid all related rent, the long-term repaid rent NT$6,432 thousand have been reclassified as right-of-use asset.

Pursuant to transitional treatment of IFRS 16, the Group has adopted the following practical expedient for leases that were formerly classified as operating leases based on individual leases:

i. Use a single discount rate to measure lease liabilities for a combination of leases with reasonably similar characteristics.
ii. Leases that will end within 12 months after January 1, 2019 will be treated as short-term leases.
iii. Original direct costs will not be counted toward the right-of-use asset valuation as of January 1, 2019.
iv. Hindsight is used, such as determination of a lease term (if the contract includes an option to extend or terminate the lease).

(b) Please refer to Note 4 and Note 6 for details on newly introduced regulations on disclosures related to lessees pursuant to IFRS 16.

(c) Below is a description of the impacts to financial statements from the first-time adoption of IFRS 16 on January 1, 2019:

i. The weighted average of the lessee's incremental borrowing rate of interest to which the lease liability is applied and recognized on January 1, 2019 is 1.20%.

ii. For the operating lease commitments applicable for IAS 17 on December 31, 2018, after deducting the leases that met and were chosen to be treated as short-term leases and those that met and were chosen as low value asset leases, the adjusted NT$1,702,102 thousand (before discount), would be NT$1,527,058 thousand (after discount) after discounting using the increased borrowing rate as of January 1, 2019. Therefore, on January 1, 2019, lease liabilities of NT$1,527,058 thousand were recognized.

D. The Group as a lessor has not made any adjustments, and has only added disclosures related to the lessees. Please refer to Note 4 and Note 6 for details.

2. 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	Definition of a business (Amendments of IFRS 3)	January 1, 2020
2	Definition of material (Amendments of IAS 1 and IAS 8)	January 1, 2020
3	Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, and IFRS 7)	January 1, 2020

(1) Definition of business (Amendments of IFRS 3)

These amendments clarify IFRS 3 - Business Combinations to improve the definition of a business. The amendments will help companies to identify whether the transaction should be handled as a business consolidation or as acquisition of asset. IFRS 3 will continue to adopt market participant's view point in deciding whether an activity or asset combination acquired is a business, including clarifying the minimum requirement of a business, adding guidance to help companies to evaluate whether the acquisition process is substantial, and reducing definition of business and production.

(2) Definition of materiality (Amendments of IFRS 1 and IFRS 8)

This change is mostly attributable to the redefinition of materiality: if any omission or misstatement of information can be reasonably expected to influence decisions made by primary users of general-purpose financial statements based on such financial statements, then the information is material. This amendment clarifies whether materiality depends on the nature or scale of the information, or both. An enterprise will evaluate whether information is material based on the entirety of the financial statements.

(3) Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, and IFRS 7)

This amendment targets all hedging relationships directly influenced by the interest rate benchmark reform, and a few exceptions to the rule have also been included. When uncertainty arises from the timing or amount of cash flow from the benchmark basis of the hedged item or hedge instrument due to the interest rate benchmark reform, the hedging relationship will be directly influenced. Therefore, a company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

This amendment includes the following:

A. The Highly Probable Requirement

When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

B. Prospective Assessments

When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

C. IAS 39 Retrospective Assessment

A company is not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform (i.e. whether the actual results of the hedge are within the 80–125% range).

D. Separately Identifiable Risk Components

For hedges of a non-contractually specified benchmark component of interest rate risk, a company shall apply the separately identifiable requirement only at the inception of such hedging relationships.

These amendments also include rules that terminate the application of the exceptions and the disclosure of such amendments.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

The aforementioned standards and interpretations issued by IASB and recognized by FSC are applicable for annual periods beginning on or after January 1, 2020. According to the Group's evaluation, the new standards, amendments or interpretations have no material impact on the Group.

3. 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 Issued by IASB 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, 2021
3	Liabilities classified as current or non-current (amendment to IAS 1)	January 1, 2022

(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, a full gain or loss should 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, wherein the performance obligation cash flow includes:

A. Estimated future cash flow
B. Discount rate: an adjustment that reflects the time value of money and the financial risks associated with future cash flows (within financial risks not included in the estimated value of future cash flows); and
C. Risk adjustment for non-financial risks

The carrying amount of the insurance contract group at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred.

In addition to the general model, the standard also provides:

A. Specific applicable methods with contracts characterized by direct participation (variable fee method)
B. Simplified short-term contract method (premium allocation approach)

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

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

For the aforementioned standards or interpretations announced by the IASB but have not yet 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.

IV. Explanations of major accounting policies

1. Declaration of compliance

The Group's 2019 and 2018 Consolidated Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) as approved and announced by the Financial Securities Committee (FSC).

2. 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 Dollar (NT$1,000).

3. Overview of consolidation

Principles of preparing the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

(1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
(2) Carrying amount of any non-controlling interests will be derecognized;
(3) Fair value of the considerations acquired will be recognized;
(4) Fair value of any retained investments will be recognized;
(5) Any gains or losses will be recognized as income or loss in the period;
(6) Amounts recognized in other comprehensive income by the parent company will be reclassified as gains or losses in the period.

The consolidated entities are listed as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%) 2019.12.31	Shareholding ratio (%) 2018.12.31	Explanation
The Company	Ivy Biotechnology Co., Ltd.	Wholesale and retail business	100%	100%	None
The Company	Bai-Lin Logistics Co., Ltd.	Wholesale and retail business	100%	100%	None
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Buy/sell transactions and lease of real property	60%	60%	None

4. Foreign currency transaction

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

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

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

(1) For foreign the currency loans that arise from acquisition of assets that meet the requirements, if the resulting exchange differences are treated as adjustments of the interest capital, which is a component of the cost of loans, they will be capitalized as the cost of the asset.

(2) Foreign currency items within the scope of IFRS 9 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

(3) Monetary items that construe part of the net investments for overseas operations in the Consolidated Financial Statements. When translation differences that arise are recognized as other comprehensive income (loss), it will be reclassified to gain or loss from equity when the net asset is disposed.

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

5. Standard of classifying assets and liabilities as current and non-current

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

(1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(2) Asset is held for trading purposes.
(3) The asset is due to be realized within 12 months after the reporting period.
(4) It is cash or cash equivalent, except where the asset is exchanged or used to settle liabilities at least 12 months after the reporting period.

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

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

6. Cash and cash equivalents

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

7. Financial instruments

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

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

(1) Recognition and valuation of financial assets

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

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

A. Business model used in managing the financial assets
B. Characteristics of the contractual cash flows from the financial asset

<u>Financial assets measured at amortized cost</u>

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

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

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

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

A. If it is a credit-impaired financial asset from acquisition or from founding, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets

B. If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

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

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

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

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

A. Prior to derecognition or reclassification, except for impairment interest or loss, exchange gain or loss will be recognized in the profit or loss, and its gain or loss will be recognized in other comprehensive income (loss)

B. During derecognition, accumulated gain or loss recognized in other comprehensive income (loss) will be reclassified from equity to profit or loss as adjustments for reclassification

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

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

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

Financial assets measured at fair value through profit or loss

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

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

(2) Impairments of Financial Assets

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

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

A. Unbiased and probability-weighted amount determined by evaluating each possible outcome
B. The time value of money
C. Reasonable and corroborative information related to past events, current conditions, and future economic forecasts (can be obtained at no excessive

cost or input on the date of the balance sheet)

Method for valuating allowance for loss is as follows:

A. Measure the expected credit loss over the next 12 months: including financial asset without significant increase in credit risk after initial recognition, or those ruled to have low credit risk on the date of the balance sheet. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.

B. Measurement of the amount of lifetime expected credit losses: including financial asset with significant increase in credit risk after initial recognition or purchased or originated credit-impaired financial asset with credit impairment.

C. For accounts receivable or contractual asset arising from transactions within the scope of IFRS 15, the Group adopts lifetime expected credit loss to measure allowance for loss.

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

(3) Derecognition of financial asset

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

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

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Hybrid instruments

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

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

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.
When holder of the convertible corporate bonds should requests to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: recognition and measurement are either classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit and loss

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

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and financial liabilities

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

8. Fair value measurement

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

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

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

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

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

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

9. Inventory

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

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

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

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

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

10. Property, plant, and equipment

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

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

Transportation vehicle: 5 years
Office equipment: 3-15 years
Leasehold improvements: 3-10 years
Other equipment: 3-10 years

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

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

11. Lease

Accounting treatment as of January 1, 2019:

For contracts formed on or after January 1, 2019, the Group will evaluate whether the contracts are (or include) leases. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Group will evaluate whether the following two factors will occur during the entire duration of use:

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

The Group has chosen not to reassess whether contracts are (or include) leases on January 1, 2019. The Group has applied the lease contracts identified during adoption of IAS 17 and IFRIC 4 to IFRS 16. Then, contracts that were identified as excluding lease during adoption of IAS 17 and IFRIC 4 were identified as inapplicable for IRFS 16.

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

The Group is the lessee

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

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

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

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

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

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

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

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

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

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

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

The Group is the lessor

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

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

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

Accounting treatment prior to January 1, 2019:

The Group is the lessee

Lease benefits under operating lease will be recognized as expense under the straight-line method during the lease period.

The Group is the lessor

All substantial risks and remuneration of the ownership of the leased items not transferred by the Group will be classified as operating lease. The initial direct cost arising from the arrangement of the operating lease is an addition to the carrying amount of the leased asset, and is recognized on the same basis as the rental revenue over the lease term. Rental revenue arising from operating lease will be recognized using the straight-line method during the lease term. Contingent rent will be recognized as revenue during the period in which rent will be available.

12. Intangible asset

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

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

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

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

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

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

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

13. Non-monetary impairment

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

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

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

14. Revenue recognition

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

Sale of goods

The Group sells products and recognizes revenue when the promised product is delivered to the customer and the customer obtains control (the customer has the ability to lead the use of the product and obtain almost all of the remaining benefits of the product) and satisfies performance obligation. The Group's primary products are various types of medicine, health care supplements, and products for mothers and babies. During some of the sales transactions, when the ownership of the goods is transferred to the customer, the Group will provide points as part of the customer loyalty program based on the transaction price. The points will provide the customers with preferential discount during the customer's subsequent purchases within the next year. The Group distributes the transaction price and points given based on the relative selling price of the goods sold and the points, and the transaction price allocated to the sales goods is recognized when the ownership of the goods is transferred to the customer, while the rest will be recognized as contractual liability based on the acquisition price.

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

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

Provision of service

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

15. Retirement pension plan

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

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

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

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

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

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

16. Share-based payment transaction

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

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

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

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

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

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

17. Income tax

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

Current income tax assets

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

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

Deferred income tax

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

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

(1) Initial recognition of goodwill; or the initial recognition of an asset or liability not arising from a business combination transaction and does not affect accounting profits or taxable income (loss) at the time of the transaction;

(2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

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

(1) Deductible temporary difference arising from business combination with a non-affiliates, and is related to initial recognition of assets or liabilities that do not affect accounting profit or loss of taxable income (loss) at the time of transaction;

(2) Related to deductible temporary difference from equity in investments in subsidiaries, affiliates, or joint ventures, and is highly possible to revert in the foreseeable future, and the revert may be to the extent that there will be sufficient taxable income at the time for recognition of the temporary difference.

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

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

V. The primary sources of uncertainties in major accounting judgments, estimates, and assumptions

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

Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) Accounts receivable - estimates on impairment loss

The Group's estimate of impairment loss for receivables is measured by the amount of estimated credit losses over its lifetime, which will be based on the difference between the contractual cash flow (carrying amount) receivable and the expected cash flow (assessment of forward-looking information). However, discount effect of short-term receivables is insignificant and credit loss will not be measured by undiscounted difference. If the actual cash flow in the future is less than the estimate, there may be material impairment loss. Please refer to Note 6 for details.

(3) Inventory

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

(4) Retirement pension plan

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

(5) Share-based payment transaction

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

(6) Income tax

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

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Unused tax loss and deferred tax carried forward and deductible temporary differences are recognized as deferred tax assets based on the context that it is highly likely future taxable income or taxable temporary differences will occur in the future. The determination of the amount of deferred tax asset to be recognized is at the point and standards where there may be differences between the future taxable income and taxable temporary difference as well as the estimate of future tax planning strategies.

VI. Explanations of significant accounting items

1. Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand and petty cash	$6,424	$5,048
Cheques and demand deposit	276,249	558,613
Fixed deposit	25,450	70,000
Total	$308,123	$633,661

2. Financial assets measured at amortized costs

	2019.12.31	2018.12.31
Restrictive fixed deposit	$24,000	$24,000
Fixed deposit	3,000	3,000
Less: allowance for loss	-	-
Total	$27,000	$27,000
Current	$24,000	$24,000
Non-current	$3,000	$3,000

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

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

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

3. Notes receivable, net

	2019.12.31	2018.12.31
Notes receivable - from operating activities	$3,246	$2,072
Less: allowance for loss	-	-
Total	$3,246	$2,072

The Group's Notes receivable have not had conditions of endorsement/guarantee.

The Group assesses information related to impairment and allowance for impairment using regulations from IFRS 9. Please refer to Note 6 for details. 16. Please refer to Note 12 for information on credit risk.

4. Net accounts receivable

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

	2019.12.31	2018.12.31
Total accounts receivable	$341,687	$348,236
Less: allowance for loss	(701)	(342)
Net amount	$340,986	$347,894

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

(3) The Group's credit line to customers is 60-120 days. The total carrying amounts were NT$341,687 thousand and NT$348,236 thousand on December 31, 2019 and December 31, 2018 respectively. Please refer to Note 6 for information related for allowance for impairment in 2019 and 2018. 16. Please refer to Note 12 for information on credit risk.

5. Inventory

(1) Net inventory is as follows:

	2019.12.31	2018.12.31
Work-in-progress	$2,923	$1,743
Inventory	1,157,342	714,912
Total	$1,160,265	$716,655

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

(2) The Group recognized cost of inventories of NT$5,005,992 thousand and NT$3,694,983 thousand on December 31, 2019 and December 31, 2018 as expenses respectively. These expenses included the following:

	2019	2018
Allowance for inventory valuation and obsolescence loss	$258	$-
Inventory scrap loss	6,215	3,256
Inventory loss	3,367	4,766
Total	$9,840	$8,022

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

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

6. Property, plant, and equipment

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:						
2019.01.01	$14,688	$245,779	$283,110	$51,330	$5,849	$600,756
Acquisition	-	41,293	111,323	86,247	38,966	277,829
Disposal	-	-	-	-	-	-
Transfer	-	(118)	-	118	-	-
2019.12.31	$14,688	$286,954	$394,433	$137,695	$44,815	$878,585
2018.01.01	$15,346	$187,481	$221,867	$10,900	$760	$436,354
Acquisition	-	60,709	63,496	41,787	5,089	171,081
Disposal	(658)	(2,411)	(2,253)	(1,357)	-	(6,679)
Transfer	-	-	-	-	-	-
2018.12.31	$14,688	$245,779	$283,110	$51,330	$5,849	$600,756

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Depreciation and impairment:						
2019.01.01	$10,096	$104,374	$91,831	$8,834	$-	$215,135
Depreciation	1,917	39,255	38,558	13,966	-	93,696
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
2019.12.31	$12,013	$143,629	$130,389	$22,800	$-	$308,831
2018.12.31	$9,823	$76,157	$64,349	$4,467	$-	$154,796
Depreciation	821	28,605	27,770	4,864	-	62,060
Disposal	(548)	(388)	(288)	(497)	-	(1,721)
Transfer	-	-	-	-	-	-
2018.12.31	$10,096	$104,374	$91,831	$8,834	$-	$215,135
Net carrying amount:						
2019.12.31	$2,675	$143,325	$264,044	$114,895	$44,8165	$569,754
2018.12.31	$4,592	$141,405	$191,279	$42,496	$5,849	$385,621

Aforementioned property, plant, and equipment have not had conditions of endorsement/guarantee.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

7. Intangible asset

	Computer software	Trademarks	Total
Cost:			
2019.01.01	$9,696	$-	$9,696
Acquisition - separately acquired	12,400	14,286	26,686
Derecognized at the end of useful life	(9,795)	-	(9,795)
2019.12.31	$12,301	$14,286	$26,587
2018.01.01	$4,912	$-	$4,912
Acquisition - separately acquired	5,635	-	5,635
Derecognized at the end of useful life	(851)	-	(851)
2018.12.31	$9,696	$-	$9,696
Amortization and impairment:			
2019.01.01	$6,635	$-	$6,635
Amortization	9,072	-	9,072
Derecognized at the end of useful life	(9,795)	-	(9,795)
2019.12.31	$5,912	$-	$5,912
2018.01.01	$1,915	$-	$1,915
Amortization	5,571	-	5,571
Derecognized at the end of useful life	(851)	-	(851)
2018.12.31	$6,635	$-	$6,635
Net carrying amount:			
2019.12.31	$6,389	$14,286	$20,675
2018.12.31	$3,061	$-	$3,061

Amortization for recognition of intangible assets is as follows:

	2019	2018
Operating expenses	$9,072	$5,571

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

8. Other non-current assets

	2019.12.31	2018.12.31
Prepaid equipment	$471	$18,250
Refundable deposits	63,738	50,928
Long-term prepaid rent	(Note)	6,432
Total	$64,209	$75,610

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

9. Financial liabilities measured at fair value through profit or loss

	2019.12.31	2018.12.31
Embedded derivative financial instruments		
Issuance of redemption rights for domestic convertible corporate bonds	$-	$3,690
Current	$-	$-
Non-current	-	3,690
Total	$-	$3,690

10. Other payables

	2019.12.31	2018.12.31
Expenses payable	$114,588	$96,412
Equipment payable	18,039	9,695
Net defined benefit liability - current	37	37
Total	$132,664	$106,144

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

11. Bonds payable

(1) Details of bonds payable are as follows:

	2019.12.31	2018.12.31
Elements of liability:		
Nominal amount of domestic convertible bond payable	$188,700	$300,000
Less: discount on domestic convertible bond payable	(4,999)	(13,431)
Sum	183,701	286,569
Less: portion maturing within 12 months	(183,701)	-
Net amount	$-	$286,569
Embedded derivative financial instruments - redemption rights	$-	$3,690
Equity element - conversion rights	$6,290	$10,001

Please Note 6 for valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds. 19

(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 (1) stock transfer is halted pursuant to applicable laws;

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		(2) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for capital increase, until the base date for right distribution, (3) 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 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, from July 19, 2018, the conversion price was adjusted from NT$90.8 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 31, 2018, 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.
(I)	The Company's redemption rights:	(1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (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 started in Article 9.) (The bondholder will be based on the boldholder'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.

(2) 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). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder’s register on the fifth business day prior to the date of the "bond recovery notice," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash in five business days after the bond recovery base date.

(3) If the creditor does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash 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, 2021) 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. Creditor 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) As of December 31, 2019, the Group's first batch of unsecured convertible bonds declared conversion amount has reached NT$111,300 thousand, and issuance of 15,678 thousand shares of ordinary shares have been converted. The net amount due to the conversion (including par value of the convertible bonds and discount) higher than the nominal value of the shares has been NT$92,191 thousand, which has been recognized as an addition item to the capital surplus.

12. Retirement pension plan

<u>Defined allocation plan</u>

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

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The Group recognized defined allocation expense of NT$23,123 thousand and NT$18,556 thousand in 2019 and 2018 respectively.

Defined benefit plan

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

The Bureau of Labor Funds, Ministry of Labor, Executive Yuan, undertakes asset allocations based on the income and expenditure of the employee retirement fund. Investment of the fund is invested in self-operated and entrusted management methods, and adopts active and passive management medium- to long-term investment strategies. The Bureau of Labor Funds takes risks including market, credit, and liquidity into consideration in setting limits and control plan for the fund so that adequate flexibility can be used toward the compensation objective without excessive risk. As of December 31, 2019, the Company's defined benefit plan is expected to allocate NT$40 thousand within the following year.

As of December 31, 2019 and December 31, 2018, the Company's defined benefit plan is expected to be realized by years 2036.

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

	2019	2018
Current service cost	$-	$-
Net interest from net defined benefit assets (liabilities)	43	56
Total	$43	$56

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

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

	2019.12.31	2018.12.31	2018.01.01
Present value of the defined benefit obligations	$8,558	$7,048	$6,538
Fair value of plan assets	(3,726)	(3,355)	(3,015)
Other non-current liabilities - net defined benefit liabilities recorded	$4,832	$3,693	$3,523

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Adjustments to the net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
2018.01.01	6,538	(3,015)	3,523
Current service cost	-	-	-
Interest expense (income)	104	(48)	56
Past service cost and settlement gain or loss	-	-	-
Sum	6,642	(3,063)	3,579
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	504	-	504
Experience-based adjustments	(98)	-	(98)
Remeasurement of defined benefit assets	-	(69)	(69)
Sum	406	(69)	337
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2018.12.31	7,048	(3,355)	3,693
Current service cost	-	-	-
Interest expense (income)	82	(39)	43
Past service cost and settlement gain or loss	-	-	-
Sum	7,130	(3,394)	3,736
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	461	-	461
Experience-based adjustments	967	-	967
Remeasurement of defined benefit assets	-	(109)	(109)
Sum	1,428	(109)	1,319
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2019.12.31	$8,558	$(3,726)	$4,832

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

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

	2019.12.31	2018.12.31
Discount rate	0.83%	1.16%
Expected rate of salary increase	2.00%	2.00%

Sensitivity analysis of every material actuarial assumption:

	2019		2018	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.5% increase in discount rate	$-	$686	$-	$567
0.5% decrease in discount rate	762	-	667	-
0.5% increase in expected salary	749	-	658	-
0.5% decrease in expected salary	-	682	-	565

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

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

13. Equity

(1) Common Stock

As of December 31, 2019 and December 31, 2018, the Company's authorized share capital is NT$600,000 thousand and has issued NT$425,820 thousand and NT$365,516 thousand in shares respectively. Each share has a par value of NT$10, and 42,582 thousand shares and 36,552 thousand shares were issued respectively. Each share has one voting right and right to receive dividend.

On March 9, 2018, the Company's Board of Directors has approved the capital increase of NT$30,000 thousand at the issued price of NT$62 per share. July 19, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$335,015 thousand with par value of NT$10 at 33,502 thousand shares.

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On June 29, 2018, the Company's Annual Shareholders' Meeting has approved the capital increase by reinvestment of surplus of NT$30,501 thousand. Upon approval of the Board of Directors on August 9, 2018, September 12, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$365,516 thousand with par value of NT$10 at 36,552 thousand shares.

On June 26, 2019, the Company's Annual Shareholders' Meeting has approved the capital increase by reinvestment of surplus of NT$47,517 thousand. Upon approval of the Board of Directors on July 22, 2019, September 1, 2019 was set to be the base date of the capitalization date, and the paid-in capital after the increase is NT$413,033 thousand with par value of NT$10 at 41,303 thousand shares.

In 2019, the employee stock options issued by the Company exercised subscription rights of NT$10,214 thousand, for which 356 thousand ordinary shares were converted. Upon approval from the Board of Directors on November 11, 2019, November 11, 2019 was set to be the base date of the increase. The paid-in capital after the increase was NT$416,593 thousand with par value of NT$10 at 41,659 thousand shares.

In 2019, the first batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT$111,300 thousand, for which 1,568 thousand ordinary shares were converted and 645 thousand ordinary shares were accounted for. Base date of increase is still pending for the Board of Directors' approval as of December 31, 2019, so the capital is recognized as a prepaid capital.

(2) Capital surplus

	2019.12.31	2018.12.31
Share premium of ordinary shares	$427,962	$421,308
Premium on Conversion of Convertible Bonds	95,902	-
Employee stock options	1,909	2,928
Stock options	6,290	10,001
Expired stock options	2,647	1,562
Total	$534,710	$435,799

According to the law, the capital reserve shall not be used except to make up for

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 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 competent authority. The remainder of which and any accumulated retained earnings 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

In response to economic fluctuations and to maintain a robust financial structure, the Company adopts balanced dividend policy, and the policy for future dividend distribution is as follow:

I. The Company will appropriate no less than 10% of the aforementioned distributable earnings as shareholders' bonus. Nevertheless, when distributable earnings are less than 10% of the paid-in capital, the Company may propose not to appropriate any bonus.

II. In consideration of a balanced and stable dividend policy, the Company will appropriate either share or cash dividend accordingly. Appropriation of cash dividends shall be no less than 10% of the annual total dividends.

C. Legal capital reserve

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

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 deficit. When the Company does not have past deficits, the Company pay 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

After adoption of the IFRS, pursuant to Directive Letter No. 1010012865 from the FSC, during first-time adoption, on the conversion date, the Company's conversion adjustment of unrealized revaluation increment and cumulative conversion adjustment to the retained earnings portion due to adoption of IFRS 1 - First-time Adoption of IFRS' exemption item granted the Company the option of appropriating the same amount of special capital reserve. After adoption of IFRS in preparing financial statements, during appropriation of distributable net income, the Company appropriated the difference between the balance allocated to special capital reserve during first-time adoption of IFRS and net deductions in other equity items to the special capital reserve. Subsequently, if other shareholders' equity deduction has reversed, the reversal shall be applicable to earnings distribution.

The Company has not had conditions where special capital reserve appropriation has occurred due to first-time adoption of IFRS.

E. During the Company's Board of Directors' Meeting on March 9, 2020, and Annual Shareholders' Meeting on June 26, 2019, the appropriations of earnings for 2019 and 2018 have been separately proposed and approved with the following details:

	Appropriation of earnings		Dividends per share (NT$)	
	2019	2018	2019	2018
Legal capital reserve	$13,598	$10,601		
Cash dividends for ordinary shares	43,484	47,517	$1.00	$1.30
Stock dividends for ordinary shares	78,272	47,517	1.80	1.29
Total	$135,354	$105,635		

Please refer to Note 6 for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the

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F. Non-controlling interests

	2019.12.31	2018.12.31
Beginning balance	$23,917	$1,940
Increase in the period	-	22,000
Net profit attributable to non-controlling interests in this period	(1,990)	(23)
Ending balance	$21,927	$23,917

14. Share-based payment plan

Company employees can receive share-based payment as a part of employee benefits plan. Employees provide service as the consideration for receiving equity instruments, and such transaction will be treated as equity-settled share-based payment transaction.

Employee share-based payment plan

(1) 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 option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock options certificate has been granted. The duration of this stock options certificate is five years.

Information on the aforementioned share-based payment is as follows:

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT$)
2014.10.01	835	$28.69
2014.11.01	113	$28.69

(A) The following pricing model and assumptions are used toward the share-based payment plan granted in 2014:

	2014
Expected fluctuation rate (%)	23.38%-24.37%
Risk-free interest rate (RFR) (%)	1.12%-1.316%

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Expected year of 100% stock subscription (year)	5
Weighted-average stock price (NT$)	40.48
Pricing model used	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.

(B) Information on the employee stock option plan issued in 2019 and 2018:

	2019		2018	
	Number of outstanding stock options (Unit)	Weighted average Price at issuance (NT$)	Number of outstanding stock options (Unit)	Weighted average Price at issuance (NT$)
Outstanding stock options on January 1st	557	$28.69	614	$32.91
Stock subscriptions in the current period	(356)	-	-	-
Stock options expired in the current period	(201)	-	(57)	-
Outstanding stock options on December 31st	-	$-	557	$32.91
Executable stock options on December 31st	-		334	
Weighted-average fair value of the stock options granted in the current period		$-		$-

(C) As of December 31, 2019, the aforementioned share-based payment plan has no outstanding stock options. Alternatively, the following is the information on outstanding stock options as of December 31, 2018:

	Execution price	Weighted average balance Lifetime (year)
Outstanding stock options on December 31, 2018	$32.91	0.75 years

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

	2019	2018
Recognized expenses due to share-based payment transactions	$-	$259
(All are equity delivery share-based payment)		

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

(2) 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 option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock option certificate has been granted. The duration of this stock option certificate is six years.

Information on the aforementioned share-based payment is as follows:

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT$)
2019.12.01	1,879	$82.60

(A) The following pricing model and assumptions are used toward the share-based payment plan granted in 2019:

	2019
Expected fluctuation rate (%)	16.56%-24.87%
Risk-free interest rate (RFR) (%)	0.552%-0.580%
Expected year of 100% stock subscription (year)	6
Weighted-average stock price (NT$)	82.60
Pricing model used	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.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

(B) Information on the employee stock option plan issued in 2019 and 2018:

	2019	
	Number of outstanding stock options (Unit)	Weighted average Price at issuance (NTD)
Outstanding stock options on January 1st	-	$-
Stock options granted in the current period	1,879	82.60
Stock subscriptions in the current period	-	-
Stock options expired in the current period	-	-
Outstanding stock options on December 31st	1,879	$82.60
Executable stock options on December 31st	-	
Weighted average fair value of stock options granted in the current period		$0.65

(C) Below is the aforementioned share-based payment plan outstanding as of December 31, 2019:

	Execution price	Weighted average balance Lifetime (year)
Outstanding stock options on December 31, 2019	$82.60	5.92 years

(D) The Company's recognition of employee share-based payment expenses in 2019 and 2018 are as follows:

	2019	2018
Recognized expenses due to share-based payment transactions	$66	$-
(All are equity delivery share-based payment)		

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15. Operating revenue

	2019	2018
Revenue from customer contracts		
Revenue from sale of goods	$6,557,257	$4,862,367
Revenue from provision of service	44,355	38,362
Total	$6,601,612	$4,900,729

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

(1) Breakdown of revenue

	2019	2018
	Single department	Single department
Sales revenue	$6,557,257	$4,862,367
Service revenue	44,355	38,362
Total	$6,601,612	$4,900,729
Timing of revenue recognition:		
At a fixed point in time	$6,601,612	$4,900,729

(2) Contract balance

A. Contract liability - current

	2019.12.31	2018.12.31	2018.01.01
Sale of goods	$474	$598	$295
Customer loyalty program	6,579	3,800	2,402
Total	$7,053	$4,398	$2,697

Descriptions of the changes in the balance of contract liabilities in 2019 are as follows:

	Sale of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	$(362)	$(2,268)
Estimated increase in advance payment in the current period	238	5,047

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Explanations of the changes in the balance of contract liabilities in 2018 are as follows:

	Sale of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	$(124)	$(1,901)
Estimated increase in advance payment in the current period	427	3,299

16. Estimated credit impairment loss (benefit)

	2019	2018
Operating expense - estimated credit impairment loss		
Accounts receivable	$359	$59

Please refer to Note 12 for information on credit risk.

(1) The Group's receivables (including notes receivable and accounts receivable) take into account factors including credit worthiness of the counterparty, regional and industrial factors, and use the expected credit loss amount during the lifetime to measure the allowance loss. Information for assessing the amount of allowance for loss as of December 31, 2019 and December 31, 2018 is as follows:

As of December 31, 2019

	Not overdue	Days overdue		
	(Note)	31-180 days	More than 181 days	Total
Total carrying amount	$344,099	$682	$152	$344,933
Rate of loss	0.06%	51%	100%	
Expected lifetime credit loss	(203)	(346)	(152)	(701)
Carrying amount	$343,896	$336	$-	$344,232

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As of December 31, 2018

	Not overdue	Days overdue: 31-180 days	Days overdue: More than 181 days	Total
Total carrying amount	$350,160	$124	$24	$350,308
Rate of loss	0.07%	57%	100%	
Expected lifetime credit loss	(248)	(70)	(24)	(342)
Carrying amount	$349,912	$54	$-	$349,966

(2) Information on the changes in allowances for notes receivable and accounts receivable of the Group for 2019 and 2018 is as follows:

	Bills receivable	Accounts receivable
2019.01.01	$-	$342
Increases (decreases) in the period	-	359
2019.12.31	$-	$701
January 1, 2018 (pursuant to IAS 39)	$-	$283
January 1, 2018 Adjustments to retained earnings	-	-
January 1, 2018 (pursuant to IFRS 9)	-	283
Increase in the period	-	59
2018.12.31	$-	$342

17. Lease

(1) The Group as a lessee (applicable for disclosures related to IFRS 16)

The Group leases real property (building and construction), and the term of lease for each contract is between 3 years to 20 years. Some of the contracts have stipulated that without the lessor's consent, a lessee may not lease out, sublease, dispose of right, or grant all or part of the leased object's use to others using other methods, or to give the right of lease to others.

The following is a description of the leases' impacts on the Group's financial position, financial performance, and cash flow:

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

A. Amount recognized in the balance sheet

(a) Right-of-use assets

	Building and construction
Cost:	
2019.01.01	$2,089,423
Acquisition	815,930
Disposal	(34,881)
Transfer	-
2019.12.31	$2,870,472
Depreciation and impairment:	
2019.01.01	$618,849
Depreciation	226,874
Impairment loss	-
Disposal	(9,059)
Transfer	-
2019.12.31	$836,664
Carrying amount:	
2019.12.31	$2,033,808

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

(b) Lease liabilities

	2019.12.31	December 31, 2018 (Note)
Lease liabilities	$2,093,629	
Current	$216,973	
Non-current	$1,876,656	

Please refer to Note 6-19(3) for the Group's interest expense for lease liabilities in 2019; and refer to Note 12-5 liquidity risk management for the analysis on the expiration of lease liabilities as of December 31, 2019.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

B. Revenues and expenses related to the lessee and lease activities

	2019	2018 (Note)
Short-term lease expense	$(13,160)	
Revenue from sublease of right-of-use asset	43,502	

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

As of December 31, 2019, 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 flow related to the lessee and lease activities

From January 1, 2019 to December 31, 2019, the Group's total cash outflow related to lease has been NT$251,128 thousand.

(2) The Group as lessee - operating leases (applicable for disclosures related to IAS 17)

The Group has signed commercial lease contracts for storefronts with an average life of 1 to 18 years and has the right to renew the lease. There are no restrictive covenants on the Group in these contracts.

Based on the non-cancellable operating lease contracts, the total future minimum lease payments for years ending on December 31, 2019 and December 31, 2018 are as follows:

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

	2019 (Note)	2018
Less than 1 year		$206,901
More than 1 but no more than 5 years		791,175
More than 5 years		704,026
Total		$1,702,102

Recognition of operating lease expenses is as follows:

	2019 (Note)	2018
Minimum rental lease payment		$195,095

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

(3) The Group as lessor (applicable for disclosures related to IFRS 16)

The Group classifies leases for which nearly all risks and rewards associated with the ownership of the asset will not be transferred during the lease as operating leases.

	2019	2018 (Note)
Lease revenue recognized from operating lease		
Fixed lease payment	$43,502	

In signing operating lease contracts, the Group has the following total amount of undiscounted lease payment as of December 31, 2019 and for the remaining years:

	2019	2018 (Note)
Less than 1 year	$19,154	
More than 1 but no more than 2 years	19,446	
More than 2 but no more than 3 years	19,542	
More than 3 but no more than 4 years	17,197	
More than 4 but no more than 5 years	14,633	
More than 5 years	38,989	
Total	$128,961	

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

(4) The Group as lessor - operating lease (applicable for disclosure related to IAS 17)

The storefront lease contracts the Group has signed all have a balance of less than one year. All tenancy agreements include clause that stipulates rent can be adjusted based on the current market conditions in each year.

Based on the operating lease contracts, the future minimum rent payment from lessees on December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019 (Note)	2018.12.31
Less than one year		$39,575

The Group recognized the following lease revenue:

	2019 (Note)	2018
Rental revenue recognized		$44,322

Some lease contracts after the Company rents a property. Below rental costs were recognized as deductions to rental revenue:

	2019 (Note)	2018
Recognized as deduction to rental revenue		$34,230

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

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

Function / Characteristic	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	$-	$437,821	$437,821	$-	$337,008	$337,008
Labor and health insurance expenses	-	47,288	47,288	-	36,930	36,930
Pension expenses	-	23,166	23,166	-	18,612	18,612
Other employee benefit expenses	-	38,163	38,163	-	30,489	30,489
Depreciation expenses	-	320,570	320,570	-	62,060	62,060
Amortization expenses	-	9,072	9,072	-	5,571	5,571

The Company's Articles of Incorporation provide that if there is profit in the year, 3 to 10 percent of profit shall be allocated for employee compensation, and no more than 3 percent shall be allocated for remunerations of the Directors and Supervisors. But when accumulated loss is present, the Company shall first retain the profit to make up for deficits. The aforementioned employee compensation appropriated in shares or dividends shall be approved by a Board of Directors meeting attended by two-thirds or more of all Directors, and by a majority vote of all attending Directors, and reported to the Shareholders' Meeting. Please see the Market Observation Post System (MOPS) from the Taiwan Stock Exchange (TWSE) for information on employee compensation and remunerations of the Directors and Supervisors, as approved by the Board of Directors.

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 in 2019 were NT$5,007 thousand and NT$1,485 thousand respectively. Employee compensation and remunerations of the Directors and Supervisors recognized in 2018 were NT$4,071 thousand and NT$1,208 thousand respectively. The aforementioned amounts were recorded under compensation expenses. If the Board of Directors approves of appropriation of share-based employee bonus, the closing price on the date before the Board's resolution will be used as the basis of the share distribution. If difference is found between the estimate and the actual distributions after the Board's approval, the difference will be recorded as profit or loss in the subsequent year.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

On March 28, 2019, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for 2019 of NT$5,007 thousand and NT$1,485 thousand respectively. No material difference is found between the actual distributions and the expenses recognized on the 2019 financial statements.

Actual distribution of employee compensation and remunerations of the Directors and Supervisors in 2018 had no material difference from the expenses recognized in financial statements.

19. Non-operating revenue and expenses

(1) Other income

	2019	2018
Interest revenue	$1,006	$1,431
Rent revenue	43,502	10,092
Other revenue - others	8,107	4,867
Total	$52,615	$16,390

(2) Other profits and losses

	2019	2018
Gain (loss) on financial assets (liabilities) at fair value through profit or loss	$3,639	$(2,250)
Gain (loss) on lease modifications	1,129	-
Loss on disposal of property, plant, and equipment	-	(482)
Net exchange gain (loss)	(1,707)	418
Other losses	(10)	(334)
Total	$3,051	$(2,648)

(3) Financing costs

	2019	2018
Interest from bank borrowings	$-	$428
Interest expense from corporate bonds	4,950	2,986
Interest from lease liabilities	21,992	(Note)
Total	$26,942	$3,414

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

20. Components of the other comprehensive income (loss)

Components of the other comprehensive income (loss) for year 2019 include the following:

Items that will not be reclassified to profit or loss:	Tax liabilities for this period issues	Reclassification adjustment for this period	Sum	Tax benefits (expenses)	After Income Tax Amount
Actuarial gain(loss) from remeasurement of defined benefit plans	$(1,319)	$-	$(1,319)	$-	$(1,319)

Components of the other comprehensive income (loss) for year 2018 include the following:

Items that will not be reclassified to profit or loss:	Tax liabilities for this period issues	Reclassification adjustment for this period	Sum	Tax benefits (expenses)	After Income Tax Amount
Actuarial gain(loss) from remeasurement of defined benefit plans	$(337)	$-	$(337)	$-	$(337)

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

21. Income tax

Pursuant to amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable business income tax rate has been adjusted from 17% to 20% as of 2018. Surtax on unappropriated retained earnings has been adjusted from 10% to 5%.

(1) Major components of the 2019 and 2018 income tax expenses (gains) include the following:

Income tax recognized in profit or loss

	2019	2018
Current tax expenses (gains):		
Current tax payable	$38,058	$29,739
Adjustments in respect of current income tax of prior periods	89	222
Deferred tax expenses (gains):		
Deferred tax expenses (gains) related to initial recognition of temporary difference and its reversal	(1,018)	(795)
Deferred tax related to tax change changes or new taxable items	-	(285)
Income tax loss, tax deductions, or temporary differences not recognized in previous years were recognized in this year	(29)	-
Income tax expenses	$37,100	$28,881

Income tax recognized in other comprehensive income

	2019	2018
Deferred tax expenses (gains):		
Remeasurement of defined benefit plans	$-	$-

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Adjustments of amount of income tax expense and accounting profit multiplied by applicable tax rate as follows:

	2019	2018
Profit before tax for continuing operations	$171,095	$134,860
Tax calculated at the domestic tax rate applicable to the income in relevant country	$34,219	$26,972
Tax effects of tax-exempt income	(9)	-
Tax effects of non-deductible expenses	2,381	1,240
Effects on income tax from deferred tax assets/liabilities	421	80
Additional tax levied on the unappropriated retained earnings	-	652
Adjustments in respect of current income tax of prior periods	88	222
Effects of tax rate changes	-	(285)
Tax expense (benefits) recognized in profit or loss	$37,100	$28,881

(3) Deferred income tax asset (liabilities) balances related to the following items:

2019

	Beginning balance	Recognized in Income	Recognized in Other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$127	$52	$-	$-	$179
Exchange loss (gain)	105	253	-	-	358
Deferred revenue	760	556	-	-	1,316
Unrealized profit on sales	967	607	-	-	1,574
Valuation loss on financial liabilities	450	(450)	-	-	-
Deferred tax expense/gain		$1,018	$-	$-	
Deferred net tax asset (liabilities)	$2,409				$3,427
Information stated on balance sheet is as follows:					
Deferred income tax assets	$2,409				$3,427
Deferred income tax liabilities	$-				$-

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

2018

	Beginning balance	Recognized in Income	Recognized in Other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$108	$19	$-	$-	$127
Exchange loss (gain)	160	(55)	-	-	105
Deferred revenue	408	352	-	-	760
Unrealized profit on sales	644	323	-	-	967
Employee benefits	9	(9)	-	-	-
Valuation loss on financial liabilities	-	450	-	-	450
Deferred tax expense/gain		$1,080	$-	$-	
Deferred net tax asset (liabilities)	$1,329				$2,409
Information stated on balance sheet is as follows:					
Deferred income tax assets	$1,329				$2,409
Deferred income tax liabilities	$-				$-

(4) Unrecognized deferred tax assets

As of December 31, 2019 and December 31, 2018, the Group's unrecognized deferred tax assets were NT$337 thousand and NT$366 thousand respectively.

(5) Filing and review of income tax

As of December 31, 2019, the Company's income tax filing and review conditions are as follows:

	Filing of income tax
The Company	Reviewed to 2017
Subsidiary - Ivy Biotechnology Co., Ltd.	Reviewed to 2017
Subsidiary - Bai-Lin Logistics Co., Ltd.	Reviewed to 2017

22. Earnings per share (EPS)

The calculation of the basic earnings per share (EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the parent company for the current year by the weighted-average number of ordinary shares outstanding in the current year.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

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 earnings per share (EPS)

	2019	2018
Net profit attributable to holders of ordinary shares of the parent company	$135,985	$106,002
weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	41,803	39,806
Basic earnings per share (NT$)	$3.25	$2.66

(2) Diluted EPS

	2019	2018
Net profit attributable to holders of ordinary shares of the parent company	$135,985	$106,002
Redemption gain or loss from issuance of domestic convertible bonds	(3,639)	2,250
Interest from convertible bonds	4,431	2,573
Net profit attributable to holders of ordinary shares of the parent company after dilutive effect	$136,777	$110,825
weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	41,803	39,806
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	73	75
Employee stock options (in 1,000 shares)	1,361	250
Convertible bonds (in 1,000 shares)	3,868	3,759
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	47,105	43,890
Diluted EPS (NT$)	$2.90	$2.53

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.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

VII. Related party transactions

Bonuses for the Group's key managerial officers

	2019	2018
Short-term employee benefits	$9,604	$9,370
Retirement benefits	576	562
Share-based payment	17	97
Total	$10,197	$10,029

VIII. Assets pledged

The Company has pledged the following assets as collateral:

Item	Carrying amount		Content of the secured liabilities
	2019.12.31	2018.12.31	
Financial asset measured after amortization - current	$24,000	$24,000	Credit card guarantee
Financial asset measured after amortization - non-current	3,000	3,000	Purchase contract guarantee
Total	$27,000	$27,000	

IX. Significant contingent liability and unrecognized contract commitments

N/A.

X. Contingent disaster loss

N/A.

XI. Significant post-reporting period matters

From October 1, 2019 to December 31, 2019, the conversion amount for the Group's first batch of unsecured convertible bond issuance was NT$44,900 thousand, which could be converted to 645 thousand ordinary shares. Upon approval from the Board of Directors on January 16, 2020, January 16, 2020 was set as the base date of the capital increase. Paid-in capital after the capital increase is 43,271 thousand with par value of NT$10 at 43,227 thousand shares.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

XII. Others

1. Categories of financial instruments

Financial assets

	2019.12.31	2018.12.31
Financial assets measured at amortized cost	$781,239	$1,090,791

Financial liabilities

	2019.12.31	2018.12.31
Financial liabilities at amortized cost:		
Accounts payable	$1,103,089	$895,130
Bonds payable (including those maturing within 12 months)	183,701	286,569
Lease liabilities	2,093,629	(Note)
Sum	3,380,419	1,181,699
Financial liabilities at fair value through profit or loss:		
Specified financial liabilities at fair value through profit or loss	-	3,690
Total	$3,380,419	$1,185,389

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

2. 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 policy, procedures, and internal control in regards to the aforementioned financial risk management based on relevant standards. Material financing activities need to be reviewed by the Board of Directors in regards to relevant standards and internal control system. During implementations of financial management activities, the Group shall strictly abide by the regulations for financial risk management that have been set up.

3. Market risk

The Group's market risk is the risk of changes in fair value or cash flow from financial instruments due to market price changes. Market risk mostly includes exchange rate risk, interest rate risk, and other pricing risks (e.g. equity instruments).

In practice, very few risk variables are single-occurring, and the change in each risk variable is usually correlated. Nevertheless, the sensitivity analysis on the following risks does not take the interactions between various risk variables into consideration.

Exchange rate risk

The Group's operating activities are mostly transactions using the functional currency; therefore, exchange rate risk should not arise.

Interest rate risk

Interest rate risk is the risk of changes in fair value or future cash flow from financial instruments due to changes in market interest rate. The Group's interest rate risk mostly includes variable rate investments classified as variable rate debt instrument investments.

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases or decreases by 1%, the Group's 2019 and 2018 income will increase by NT$3,002 thousand and decrease by NT$5,826 thousand respectively.

Equity price risk

As of December 31, 2019 and December 31, 2018, the Group does not hold equity securities measured by fair value. Therefore, equity price risk does not exist.

4. Credit risk management

Credit risk refers to the risk that the counterparty is unable to fulfill contractual obligations and leads to financial loss. The Group's credit risk mostly comes from operating activities (mostly from accounts receivable and notes) and financing activities (mostly bank deposits and various financial instruments).

Each business unit of the Group follows credit risk policy, procedure, and controls in managing credit risks. The credit risk valuation of all trading counterparties comprehensively measures factors including the counterparties' financial status, credit rating, past transaction experiences, current economic environment, and the Group's internal valuations. The Group also adopts certain credit enhancement tools (e.g. prepaid sales and insurance) on a timely basis to reduce the credit risk from certain customers. As of December 31, 2019 and December 31, 2018, the Group has not had concentration of credit risk on individual customers, so credit risk should be moderate.

The Group's financing 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 allowances for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk, and 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).

5. 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.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial liabilities

	Less than 1 year	2 - 3 years	3 - 4 years	4 - 5 years	5 years or above	Total
2019.12.31						
Accounts payable	$1,103,089	$-	$-	$-	$-	$1,103,089
Bonds payable	183,701		-	-	-	183,701
Lease liabilities	267,915	261,011	251,900	242,869	1,237,669	2,261,364
2018.12.31						
Accounts payable	$895,130	$-	$-	$-	$-	$895,130
Bonds payable	286,569	-	-	-	-	286,569

6. Adjustments of liabilities from financing activities

Information on adjustments of liabilities in 2019:

	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
2019.01.01	$9,968	$1,527,058	$1,537,026
Cash flow	16,047	(237,968)	(223,050)
Non-cash flow			
Changes in scope of lease in this period	-	782,547	783,676
Interest from lease liabilities	-	21,992	21,992
2019.12.31	$26,015	$2,093,629	$2,119,644

Information on adjustments of liabilities in 2018:

	Short-term loans	Guarantee deposits	Lease liabilities (Note)	Issuance of corporate bonds	Total liabilities from financing activities
2018.01.01	$70,000	$3,887		$-	$73,887
Cash flow	(70,000)	6,081		295,000	231,081
Non-cash flow	-	-		(8,431)	(8,431)
2018.12.31	$-	$9,968		$286,569	$296,537

Note: The Group has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

7. 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 borrowings, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

(2) Fair value of financial instruments measured at amortized cost

Except for the following, the carrying amount of financial assets and financial liabilities measured by the Group's amortized cost is a close approximation of their fair value.

	Carrying amount	
	2019.12.31	2018.12.31
Financial liabilities:		
Bonds payable	$183,701	$286,569

	Fair value	
	2019.12.31	2018.12.31
Financial liabilities:		
Bonds payable	$185,719	$290,580

(3) Fair value ranked information of financial instruments

Please refer to Note 12-8 for fair value ranked information of financial instruments.

8. 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 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 refer to Note 6 for information on contracts for these transactions.

9. 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:

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Rank 1: quotation (unadjusted) of the same asset or liability from an active market can be obtained on the measurement date.

Rank 2: Input value can be directly or indirectly observed for an asset or liability, except for the quotations at Rank 1.

Rank 3: unobservable input value for assets and liabilities.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, revaluation of their respective classification shall be required at the end of each reporting period to determine whether there has been a transfer between ranks of fair value.

(2) Information on measurement of fair value ranks

The Group does not have assets measured by non-repetitive fair value. Information on the ranks of repetitive fair value of assets and liabilities is as follows:

As of December 31, 2019: no such conditions exist.

As of December 31, 2018:

	Rank 1	Rank 2	Rank 3	Total
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss				
Embedded derivatives	$-	$-	$3,690	$3,690

Transfer between Rank 1 and Rank 2 of fair value ranks

From January 1, 2019 to December 31, 2019 and January 1, 2018 to December 31, 2018, the Group's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Ranks 1 and 2.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

Details on changes in repetitive fair value rank 3

For those of the Group's liabilities measured at repetitive fair value that are categorized as rank 3, adjustments from beginning to ending balance is as follows:

	Liabilities
	Financial assets and liabilities measured with fair value Measured derivatives
2019.01.01	$3,690
Current issuance	-
Total loss recognized in this period:	
Recognized in profit or loss (stated in "Other gains and losses")	(3,639)
Transferred in the period	(51)
2019.12.31	$-

Among the aforementioned total losses recognized, losses related to liabilities held as of December 31, 2019 amounted to NT$0.

	Liabilities
	Financial assets and liabilities measured with fair value Measured derivatives
2018.01.01	$-
Current issuance	1,440
Total loss recognized in this period:	
Recognized in profit or loss (stated in "Other gains and losses")	2,250
2018.12.31	$3,690

Among the aforementioned total losses recognized, losses related to liabilities held as of December 31, 2018 amounted to NT$2,250 thousand.

Information on material unobservable input in fair value Rank 3

For the Group's liabilities measured at repetitive fair value and categorized in fair value rank 3, the material unobservable input used toward fair value measurement is as follows:

As of December 31, 2019:

	Valuation technique	Material unobservable input	Quantitative information	Relations between input value and fair value	Valuation relations of sensitivity analysis of relations between input value and fair value Valuation relations of sensitivity analysis of relations
Financial liabilities:					
Measured at fair value through profit or loss					
Embedded derivatives	CRR Binary Tree Convertible Valuation Model	Fluctuation rate	17.78%	The higher the fluctuation rate, the higher the estimate of fair value	When fluctuation rate increases (decreases) by 1%, the Company's net income will increase/decrease by NT$0.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2018:

	Valuation technique	Material unobservable input	Quantitative information	Relations between input value and fair value	Valuation relations of sensitivity analysis of relations between input value and fair value Valuation relations of sensitivity analysis of relations
Financial liabilities:					
Measured at fair value through profit or loss					
Embedded derivatives	CRR Binary Tree Convertible Valuation Model	Fluctuation rate	20.55%	The higher the fluctuation rate, the higher the estimate of fair value	When fluctuation rate increases (decreases) by 1%, the Company's net income will increase/decrease byNT$150 thousand.

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

As of December 31, 2019:

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (refer to Note 6.14 for details) 11)	$-	$-	$185,719	$185,719

As of December 31, 2018:

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (refer to Note 6.14 for details) 11)	$-	$-	$290,580	$290,580

10. Information on financial assets and financial liabilities in foreign the currency with material effect: Not applicable.

11. 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 management 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.

XIII. Notes on disclosures

(I) 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, affiliates, and joint ventures): None.

4. The Company's cumulative buy or sell of an individual marketable security of at least NT$300 million or 20% of the paid-in capital in this period: None.

5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: 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 refer to Attachment 1.

8. Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: Please refer to Attachment 2.

9. Derivatives transactions: None.

10. Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries: Please refer to Attachment 5.

(II) 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 refer to Attachment 3.

2. When the Company has control over the investee, the Company shall disclose the investee (Note 13). (1) Relevant information:

   (1) Capital financing for others: None.

   (2) Endorsement/guarantee for others: None.

   (3) Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and joint ventures): None.

   (4) Cumulative buy or sell of an individual marketable security of at least NT$300 million or 20% of the paid-in capital in this period: None.

   (5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: 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 refer to Attachment 4.

   (8) Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: None.

   (9) Derivatives transactions: None.

(III) Information on investments in Mainland China: None.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

XIV. Departmental Information

1. Revenues from the Group mostly come from sales of various medicine/drugs, health foods, maternity and baby 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 Attachment 4.

2. Regional information

(A) Revenue from external customers (Note):

	2019	2018
Taiwan	$6,560,706	$4,846,299
China	40,906	54,430
Total	$6,601,612	$4,900,729

Note: revenue is classified based on the country of the customer.

(B) Non-current assets:

	2019	2018
Taiwan	$2,688,446	$464,292
Others	-	-
Total	$2,688,446	$464,292

3. Information on substantial customers

The Group does not have any single customer whose sales revenue accounts for 10% or more of the Group's consolidated operating net revenue.

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Purchases from and sales to related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital

January 1, 2019 to December 31, 2019

Attachment 1

Unit: Thousands of New Taiwan Dollar (NT$1,000)

			Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		
Sales/purchase company	Name of counterparty	Relations	Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	Remark
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	$2,106,251	31.43%	Offset of debts and claims	No other customers for comparison	Non-affiliate: 60~120 days credit	Accounts receivable $305,463	49.11%	Note
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	$290,947	5.27%	30 days credit	No other vendor for comparison	Non-affiliate: 60~90 days credit	Bills payable $54,440	16.70%	Note
									Accounts payable $32,714	4.74%	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:

As of December 31, 2019

Attachment 2

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Company Name	Name of counterparty	Relation	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	$305,463 (Note)	8.51	$-	.		$-

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)

As of December 31, 2019

Attachment 3

Unit: Thousands of New Taiwan Dollar (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 care foods, mothers' and babies' supplies, and cosmetics	$40,612	$40,612	5,900,000 shares	100.00%	$110,450	$46,918	$44,930 (Note 1)	Note 2
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	No. 1, Gaobian Road, Neiding Li, Zhongli District,	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%	$2,419	$448	$448	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%	$32,891	$(4,975)	$(2,985)	Note 2

Note 1: Includes income from investment recognized using equity method for this period of NT$46,918 thousand, realized profit from upstream transactions in previous period of NT$4,837 thousand, and unrealized profit from upstream transactions for this period of NT$7,825 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

January 1, 2019 to December 31, 2019

Attachment 4....

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Sales/purchase company	Counterparty......	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	$290,947	95.29%	30 days credit	Regular customer, not a limited company.	Non-affiliate: 30~60 days credit	Bills receivable $54,440	98.42%	Note
									Accounts receivable $32,714	73.56%	Note
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	$2,106,251	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable $305,463	100.00%	Note

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Business Relations Between Parent Company and Subsidiaries and Material Transactions

Attachment 5

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Code (Note 1)	Name of counterparty	Transaction counterparty	Relationship with counterparty (Note 2)	Status of transactions			
				Item	Amount	Transaction conditions	Ratio on consolidated total revenue or asset (Note 3)
	January 1, 2019 to December 31, 2019						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	290,947	30 days credit	4.41%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts receivable	123	30 days credit	.
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	6,149	.	0.13%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	54,440	30 days credit	1.16%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Bills payable.	32,714	30 days credit	0.70%
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	.	0.01%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Rent revenue	7,276	.	0.11%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Sales	2,106,251	Offset of debts and claims	31.91%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	305,463	Offset of debts and claims	6.53%
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	Operating expenses	629	.	0.01%
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other receivables	4,932	.	0.11%

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 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 interim accumulated amount to consolidated net revenue for profit or loss items.

Note 4: foreign currency amounts will be translated to NT$ amounts by the exchange rate as of the balance sheet date.

V. Individual Financial Statements Audited by CPAs for the Most Recent Year

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To Great Tree Pharmacy Co., Ltd.

Audit opinion

The audit of Great Tree Pharmacy Co., Ltd.'s Individual Balance Sheet as of December 31, 2019 and December 31, 2018, and Individual Comprehensive Income Statement, Individual Statement of Changes in Equity, and Individual Statement of Cash Flows from January 1, 2019 to December 31, 2019, and from January 1, 2018 to December 31, 2018 as well as the Notes to Individual Financial Statements (including major accounting policies) has been completed by the Certified Public Accountants (CPA) of our accounting firm.

Based on the opinion of our CPA, the Individual Financial Statements in the preceding paragraph have been prepared according to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and may fairly present, in all material aspects, the individual financial status of Great Tree Pharmacy Co., Ltd. as of December 31, 2019 and December 31, 2018, as well as its individual financial performance and individual cash flow from January 1, 2019 to December 31, 2019 and from January 1, 2018 to December 31, 2018.

Basis of Audit Opinion

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

Key Audit Matters

Key Audit Matters refer to most significant matters in the process of auditing of 2019 Individual Financial Statements of Great Tree Pharmacy Co., Ltd. based on our professional judgment. These matters were addressed in the context of our audit of the Individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Great Tree Pharmacy Co., Ltd. recognized operating revenue of NT$ 6,701,943 thousand in

2019. Since the Company's sources of revenue include different selling models such as retail transactions at pharmacies and revenue from management services; the judgment over performance obligation and the timing of its fulfillment over customer orders or contracts was needed; therefore leading to significant risk of revenue recognition. Hence, we have decided to include this as a key audit matter. Our audit procedures include (but are not limited to): understanding each selling model, evaluating the appropriateness of revenue recognition policy related to obligation fulfillment under each model, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle, conducting detailed testing by sampling the sales receipts, and conducting analytical review procedure and carrying out cut-off tests and more. We have also considered the appropriateness of revenue disclosure identified in Note 6 of the Individual Financial Statement.

Inventory Valuation

As of December 31, 2019, the net inventory of Great Tree Pharmacy Co., Ltd. was NT$886,046 thousand, accounting for 19% of the individual total asset. Great Tree Pharmacy Co., Ltd.'s main business involves trading of maternity and baby products as well as various drugs. Most of their products have shelf lives, leading evaluations of allowance for inventory valuation and obsolescence loss to require material judgment by the Company management. Therefore, this was included as a key audit matter. Our audit procedures include (but are not limited to): evaluating the appropriateness of the policy of allowance for inventory valuation and obsolescence loss, evaluating the management method for near expiring goods and identification of expired inventory and testing the effectiveness of the relevant internal control, sampling the inventory aging report to test its accuracy and selecting significant inventory location for physical inventory observation and count, and inspecting current inventory and utilization status and more. We have also taken the appropriateness of inventory disclosure in Note 5 and Note 6 in the Notes to the individual financial statements into consideration.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the Individual financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of Individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (merge with following sentence) As fraudulence can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false contents resulting from fraudulence is higher than the risk of failing to identify those coming from errors.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the accompanying notes, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtaining sufficient and appropriate audit evidence with regard to the finance information of the individual entities in the group to establish our opinion about the individual financial statements We are responsible for the guidance, supervision, and implementation of Great Tree Pharmacy Co., Ltd.'s audit and responsible for forming audit opinions on the Group.

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

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

We have decided the key audit matters for the audit on Great Tree Pharmacy Co., Ltd.'s 2019 Individual Financial Statements from our communications with the governing body. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Areas of Significant Attention: Applicability of New Accounting Standards

As stated in Note 3 to the Individual Financial Statements, IFRS 16 - Leases was applicable for Great Tree Pharmacy Co., Ltd. and its subsidiaries as of January 1, 2019, and the Company has chosen not to recompile the consolidated financial statements during the transitional period of comparison. We have not amended our audit conclusion based on this fact.

Ernst & Young
Financial Report of TWSE Listed Company as
Authorized by the Competent Authority
Auditing and Attestation No. (2017) FSC No. 1060026003
(2014) FSC No. 1030025503

Lo Hsiao Chin
Certified Public Accountant (CPA)

Cheng Ching Piao

March 9, 2020

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Balance Sheet

As of December 31, 2019 and 2018

(Amounts Expressed in thousands of New Taiwan Dollars)

Asset			December 31, 2019		December 31, 2018	
Code	Accounting Item	Note	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4 and 6.1	$277,980	6	$551,246	24
1136	Financial assets measured at amortized cost	4, 6.2 and 8	24,000	1	24,000	1
1150	Net bills receivable	4 and 6.3	2,371	-	1,563	-
1170	Net accounts receivable	4 and 6.4	316,040	7	316,728	14
1180	Net accounts receivable - related parties, net	4, 6.4 and 7	305,586	7	189,985	8
1200	Other receivables		88,436	2	68,780	3
1210	Other receivables - related parties	7	11,351	-	9,495	-
1300	Inventory	4 and 6.5	886,046	19	555,057	25
1410	Prepaid expenses		18,148	-	12,496	1
1470	Other current assets		3,470	-	2,382	-
	Total current assets		1,933,428	42	1,731,732	76
15xx	Non-current assets					
1535	Financial assets measured at amortized cost	4, 6.2 and 8	3,000	-	3,000	-
1550	Investments accounted for using equity method	4 and 6.6	112,869	3	87,147	4
1600	Property, plant, and equipment	4 and 6.7	515,196	11	366,741	16
1755	Right-of-use assets	4 and 6.18	1,956,027	43	-	-
1780	Intangible assets	4 and 6.8	20,675	-	3,061	-
1840	Deferred income tax assets	4 and 6.25	3,427	-	2,409	-
1900	Other non-current assets	4 and 6.9	60,678	1	72,720	4
	Total non-current assets		2,671,872	58	535,078	24
1xxx	Total assets		$4,605,300	100	$2,266,810	100

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Balance Sheet (continued)

As of December 31, 2019 and 2018

(Amounts Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2019		December 31, 2018	
Code	Accounting Item	Note	Amount	%	Amount	%
21xx	Current liabilities					
2130	Contract liabilities	4 and 6. 16	$7,053	-	$4,398	-
2150	Bills payable		271,592	6	346,395	15
2160	Other receivables - related parties	7	54,440	1	11,619	-
2170	Accounts payable		657,665	14	400,691	18
2180	Accounts payable - related parties	7	32,714	1	19,354	1
2200	Other payables	6.11and 6.13	129,387	3	102,598	5
2220	Other Accounts payable - related parties	7	242	-	-	-
2230	Tax liabilities for this period	4 and 6.21	12,938	-	17,358	1
2280	Lease liabilities	4 and 6.18	202,699	5	-	-
2300	Other current liabilities	6.14	12,891	-	9,017	-
2321	Corporate bonds that mature or execute the right to sell back within one year or one operating cycle	4 and 6.12	183,701	4	-	-
	Total current liabilities		1,565,322	34	911,430	40
25xx	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss	4 and 6.10	-	-	3,690	-
2530	Bonds payable	4 and 6.12	-	-	286,569	13
2580	Lease liabilities	4 and 6.18	1,809,686	39	-	-
2640	Net defined benefit liabilities	4 and 6.13	4,795	-	3,656	-
2645	Guarantee deposits	7	24,947	1	9,729	-
	Total non-current liabilities		1,839,428	40	303,644	13
2xxx	Total liabilities		3,404,750	74	1,215,074	53
31xx	Equity attributable to owners of parent company					
3100	Share Capital	6.14				
3110	Ordinary share capital		425,820	9	365,516	16
3140	Prepaid share capital		6,451	-	-	-
3200	Capital reserve	6.14	534,710	12	435,799	20
3300	Retained earnings	6.14				
3310	Legal capital reserve		59,821	1	49,220	2
3350	Unappropriated net income		173,748	4	201,201	9
	Total equity		1,200,550	26	1,051,736	47
	Total liabilities and equity		$4,605,300	100	$2,266,810	100

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Compnay Only Statement of Comprehensive Income

For the years ended December 31, 2019 and2018

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

Code	Item	Note	2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating revenue	4, 6.16 and 7	$6,701,943	100	$4,914,093	100
5000	Operating costs	7	(5,187,063)	(77)	(3,752,897)	(76)
5900	Gross profit		1,514,880	23	1,161,196	24
6000	Operating expenses					
6100	Sales and marketing		(1,188,585)	(18)	(852,960)	(17)
6200	General and administrative		(222,191)	(3)	(194,616)	(4)
6450	Expected credit impairment loss	6.17	(359)	-	(59)	-
	Total operating expenses		(1,411,135)	(21)	(1,047,635)	(21)
6900	Operating profit		103,745	2	113,561	3
7000	Non-operating income and expenses					
7010	Other income	6.23 and 7	35,112	-	6,779	-
7020	Other gains and losses	6.23 and 7	3,051	-	(2,648)	-
7050	Finance costs	6.23	(25,887)	-	(3,414)	-
7070	Shares in subsidiaries, affiliates, and joint ventures recognized using equity method		44,378	-	16,138	-
	Total non-operating income and expenses		56,654	-	16,855	-
7900	Profit before tax		160,399	2	130,416	3
7950	Income tax expenses	4 and 6. 25	(24,414)	-	(24,414)	(1)
8200	Net income		135,985	2	106,002	2
8300	Other comprehensive income - net	6.24				
8310	Items that will not be reclassified to profit or loss:					
8311	Actuarial gain(loss) from remeasurements of defined benefit plans		(1,319)	-	(337)	-
	Total other comprehensive income (loss) ,net of tax		(1,319)	-	(337)	-
8500	Total comprehensive income (loss)		$134,666	2	$105,665	2
	Earnings per share, EPS (NT$)					
9750	Basic earnings per share	6.26	$3.25		$2.66	
9850	Diluted earnings per share	6.26	$2.90		$2.53	

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2019 and2018

(Amounts expressed in thousands of New Taiwan Dollars)

					Retained earnings		
	Item	Share capital	Prepaid share capital	Capital reserve	Legal capital reserve	Unappropriated net income	Total equity
Code		3100	3140	3200	3310	3350	3XXX
A1	Balance as of January 1, 2018	$305,015	$-	$269,539	$38,978	$191,181	$804,713
	Appropriations of net income in 2017						
B1	Legal capital reserve				10,242	(10,242)	-
B5	Cash dividends					(54,902)	(54,902)
B9	Stock dividends	30,501				(30,501)	-
C5	Equity component item recognized for issuance of convertible bonds - arising from recognition of equity			10,001			10,001
D1	Net profit in 2018					106,002	106,002
D3	Other comprehensive income (loss) in 2018					(337)	(337)
D5	Total comprehensive income (loss)	-	-	-	-	105,665	105,665
E1	Cash capital increase	30,000		156,000			186,000
N1	Share-based payment transactions			259			259
Z1	Balance as of December 31, 2018	$365,516	$-	$435,799	$49,220	$201,201	$1,051,736
A1	Balance as of January 1, 2019	$365,516	$-	$435,799	$49,220	$201,201	$1,051,736
A3	Effects of retrospective application and retrospective restatement					(56,484)	(56,484)
A5	Balance as of January 1, 2019 after restatement	365,516	-	435,799	49,220	144,717	995,252
	Appropriations of net income in 2018						
B1	Legal capital reserve				10,601	(10,601)	-
B5	Cash dividends					(47,517)	(47,517)
B9	Stock dividends	47,517				(47,517)	-
D1	Net profit in 2019					135,985	135,985
D3	Other comprehensive income (loss) in 2019					(1,319)	(1,319)
D5	Total comprehensive income (loss)	-	-	-	-	134,666	134,666
I1	Conversion of convertible corporate bond	9,227	6,451	92,191			107,869
N1	Share-based payment transactions	3,560		6,720			10,280
Z1	Balance as of December 31, 2019	$425,820	$6,451	$534,710	$59,821	$173,748	$1,200,550

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Cash Flows

For the years ended December 31,2019 and 2018

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2019	2018
AAAA	Cash flow from operating activities:		
A10000	Cash flow from investing activities:	$160,399	$130,416
A20000	Adjustment items:		
A20010	Gain or loss items that do not affect cash flow:		
A20100	Depreciation expense (including right-of-use asset)	301,186	56,000
A20200	Amortization expenses	9,072	5,571
A20300	Expected credit impairment loss	359	59
A20400	Valuation loss on financial liabilities measured at fair value through profit or loss	(3,639)	2,250
A20900	Interest expenses	25,887	3,414
A21200	Interest revenue	(969)	(1,415)
A21900	Cost of share-based payments	66	259
A22300	Shares of subsidiaries, affiliates, and joint ventures accounted for using the equity method	(44,378)	(16,138)
A22500	Loss on disposal of property, plant, and equipment	-	482
A29900	Other item - gain on lease modification	(1,129)	-
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Decrease (increase) in bills receivable	(808)	(1,061)
A31150	Decrease (increase) in accounts receivable	329	(68,087)
A31160	Decrease (increase) in accounts receivable - related parties	(115,601)	(47,663)
A31180	Decrease (increase) in other receivables	(19,656)	(29,398)
A31190	Decrease (increase) in other receivables - related parties	(1,856)	(3,676)
A31200	Decrease (increase) in inventory	(330,989)	(163,376)
A31230	Decrease (increase) in prepaid items	(5,652)	10,995
A31240	Decrease (increase) in other current assets	(1,088)	(614)
A31990	Decrease (increase) in other non-current assets	-	(6,432)
A32125	Increase (decrease) in contract liabilities	2,655	1,755
A32130	Increase (decrease) in bills payable	(74,803)	106,584
A32140	Bills payable - related parties	42,821	(6,411)
A32150	Increase (decrease) in accounts payable	256,974	107,643
A32160	Increase (decrease) in bills payable - related parties	13,360	5,348
A32180	Increase (decrease) in other payables	18,445	24,734
A32190	Increases (decreases) in other payables - related parties	242	-
A32230	Increase (decrease) in other current liabilities	3,874	1,350
A32240	Increase (decrease) in net defined benefit liabilities	(180)	(167)
A33000	Cash inflow (outflow) from operating activities	234,921	112,422
A33100	Interest received	969	1,415
A33200	Dividends received	15,812	21,461
A33300	Interest paid	-	(428)
A33500	Income tax paid	(29,852)	(16,994)
AAAA	Net cash inflow (outflow) from operating activities	221,850	117,876

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statementsof Cash Flows (continued)

For the years ended December 31, 2019 and 2018

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2019	2018
BBBB	Cash flow from investing activities:		
B00040	Acquisition of financial assets measured at amortized cost	-	27,240
B01800	Investments accounted for using equity method	-	(33,000)
B02700	Acquisition of property, plant, and equipment	(211,930)	(171,543)
B02800	Disposal of property, plant, and equipment	-	4,476
B03700	Decrease (increase) in guarantee deposits	(12,169)	(5,693)
B04500	Acquisition of intangible assets	(26,686)	(5,635)
BBBB	Net cash inflow (outflow) from investing activities	(250,785)	(184,155)
CCCC	Cash flow from financing activities:		
C00200	Decrease in short-term loans	-	(70,000)
C01200	Issuance of corporate bond	-	295,000
C03000	Increase (decrease) in guarantee deposits	15,218	5,962
C04020	Repayment of principal on lease	(222,246)	-
C04500	Distribution of cash dividends	(47,517)	(54,902)
C46000	Cash capital increase	-	186,000
C04800	Employees exercising share option	10,214	-
CCCC	Net cash inflow (outflow) from financing activities	(244,331)	362,060
EEEE	Net increase (decrease) in cash and cash equivalents for the period	(273,266)	295,781
E00100	Beginning balance of cash and cash equivalents	551,246	255,465
E00200	Ending balance of cash and cash equivalents	$277,980	$551,246

The accompanying notes are an integral part of the parent company only financial statements.

I. Company overview

Great Tree Pharmacy Co., Ltd. (hereinafter referred to as "the Company") was authorized to be established on May 15, 2001. Our main businesses include management and trade of various drugs, health products, maternity and baby 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.

II. Dates and procedures of approving financial statements

The Company's 2019 and 2018 Individual Financial Statements have been approved and announced by the Board of Directors on March 3, 2020.

III. Applicability of new and amended accounting principles and explanations

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

   The Company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Committee Interpretations or Interpretations of the Standing Interpretations Committee (SIC) that have been approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) for the fiscal year beginning after January 1, 2019. Except for the following new standards and interpretations for the nature of the amendments and their impacts, first-time adoption of the remaining amendments have no significant impact on the Company:

   (1) IFRS 16 - Lease

   IFRS 16 has replaced IAS 17 - Leases, IFRIC Interpretation 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases-Incentives, and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

   Pursuant to transitional treatment of IFRS 16, the Company's initial adoption was on

January 1, 2019. Effects from adoption of IFRS 16 are explained in the following:

A Please refer to Note 4 for an explanation of the Company's applicable accounting policies before and after January 1, 2019.

B Definition of lease: the Company has chosen not to re-evaluate whether contracts were (or included) leases on January 1, 2019. The Company has applied the lease contracts identified during adoption of IAS 17 and IFRIC 4 to IFRS 16. Then, contracts that were identified as excluding lease during adoption of IAS 17 and IFRIC 4 were identified as inapplicable for IRFS 16. In other words, the Company only evaluates contracts signed (or changed) on or after January 1, 2019 for applicability of IFRS 16 - Leases. Compared with IAS 17, IFRS 16 stipulates that a contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. After evaluating the definition of the application of the new leases for most circumstances, the Company has concluded that no material impact has been made to the evaluation of whether a contract is (or includes) a lease.

C The Company as lessee, is applicable for the transitional treatment of IFRS 16, and has chosen not to recompile the comparison information. Cumulative effects during first-time adoption on January 1, 2019 were used as adjustments to the beginning balance of retained earnings on the first day of adoption.

(a) Leases classified as operating lease

The Company is expected to measure and recognize lease liabilities on January 1, 2019 for the leases classified as operating lease during adoption of IAS 17 based on the present value of lease benefits balance (discounted using the lessee's incremental borrowing rate as of January 1, 2019). Additionally, the carrying amounts of right-of-use asset will be used to measure and recognize right-of-use assets on the basis of individual leases, as the IFRS 16 has been applied from the beginning, in which the discounted borrowing rate of the lessee will be used on January 1, 2019.

On January 1, 2019, the Company's right-of-use asset has increased by NT$ 1,423,600 thousand on January 1, 2019; lease liabilities will increase by NT$ 1,477,240 thousand and the NT$ 53,640 thousand difference will be adjusted to retained earnings.

On January 1, 2019, right-of-use asset in subsidiary investment accounted for using equity method - Ivy Biotechnology Co., Ltd., has increased by NT$ 46,974 thousand ; lease liabilities increased by NT$ 49,818 thousand and the NT$ 2,844 thousand difference has been adjusted to retained earnings.

In addition, on January 1, 2019, for all leases that were classified as operating leases through application of IAS 17 Leases and have paid all related rent, the long-term repaid rent NT$ 6,432 thousand has been reclassified as right-of-use asset.

Pursuant to transitional treatment of IFRS 16, the Company has adopted the following practical expedient for leases that were formerly classified as operating leases based on individual leases:

i. Use a single discount rate to measure lease liabilities for a combination of leases with reasonably similar characteristics.
ii. Leases that will end within 12 months after January 1, 2019 will be treated as short-term leases.
iii. Original direct costs will not be counted toward the right-of-use asset valuation as of January 1, 2019.
iv. Hindsight is used, such as determination of a lease term (if the contract includes an option to extend or terminate the lease).

(b) Please refer to Note 4 and Note 6 for details on newly introduced regulations on disclosures related to lessees pursuant to IFRS 16.
(c) Below is a description of the impacts to financial statements from the first-time adoption of IFRS 16 on January 1, 2019:

i. The weighted average of the lessee's incremental borrowing rate of interest to which the lease liability is applied and recognized on January 1, 2019 is 1.20%.

ii. For the operating lease commitments applicable for IAS 17 on December 31, 2018, after deducting the leases that met and were chosen to be treated as short-term leases and those that met and were chosen as low value asset leases, the adjusted NT$ 1,583,679 thousand (before discount) would be NT$ 1,477,240 thousand (after discount) after discounting using the increased borrowing rate as of

January 1, 2019. Therefore, on January 1, 2019, lease liabilities of NT$ 1,477,240 thousand were recognized.

D The Company as a lessor has not made any adjustments, and has only added disclosures related to the lessees. Please refer to Note 4 and Note 6 for details.

2. The Company has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Definition of a business (Amendments of IFRS 3)	January 1, 2020
2	Definition of material (Amendments of IAS 1 and IAS 8)	January 1, 2020
3	Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, and IFRS 7)	January 1, 2020

(1) Definition of business (Amendments of IFRS 3)

These amendments clarify IFRS 3 - Business Combinations to improve the definition of a business. The amendments will help companies to identify whether the transaction should be handled as a business consolidation or as acquisition of asset. IFRS 3 will continue to adopt market participant's view point in deciding whether an activity or asset combination acquired is a business, including clarifying the minimum requirement of a business, adding guidance to help companies to evaluate whether the acquisition process is substantial, and reducing definition of business and production.

(2) Definition of materiality (Amendments of IFRS 1 and IFRS 8)

This change is mostly attributable to the redefinition of materiality: if omission or misstatement of information can be reasonably expected to influence decisions made by primary users of general-purpose financial statements based on such financial statements, then the information is material. This amendment clarifies whether materiality depends on the nature or scale of the information, or both. An enterprise will evaluate whether information is material based on the entirety of the financial statements.

(3) Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39, and IFRS 7)

This amendment targets all hedging relationships directly influenced by the interest rate benchmark reform, and a few exceptions to the rule have also been included. When uncertainty arises from the timing or amount of cash flow from the benchmark basis of the hedged item or hedge instrument due to the interest rate benchmark reform, the hedging relationship will be directly influenced. Therefore, a company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

This amendment includes the following:

A The Highly Probable Requirement

When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

B Prospective Assessments

When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

C IAS 39 Retrospective Assessment

A company is not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform (i.e. whether the actual results of the hedge are within the 80-125% range).

D Separately Identifiable Risk Components

For hedges of a non-contractually specified benchmark component of interest rate risk, a company shall apply the separately identifiable requirement only at the inception of such hedging relationships.

These amendments also include rules that terminate the application of the exceptions and the disclosure of such amendments.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

The aforementioned standards and interpretations issued by IASB and recognized by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. According to the Company's evaluation, the new standards, amendments or interpretations have no material impact on the Company.

3. As of the approval and announcement date of the financial statements, the Company has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, amended, standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective Date Issued by IASB 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, 2021
3	Liabilities classified as current or non-current (amendment to IAS 1)	January 1, 2022

(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, a full gain or loss should 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, wherein the performance obligation cash flow includes:

A Estimated future cash flow
B Discount rate: an adjustment that reflects the time value of money and the financial risks associated with future cash flows (within financial risks not included in the estimated value of future cash flows); and
C Risk adjustment for non-financial risks

The carrying amount of the insurance contract group at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred.

In addition to the general model, the standard also provides:

A Specific applicable methods with contracts characterized by direct participation (variable fee method)
B Simplified short-term contract method (premium allocation approach)

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

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

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

IV. Explanations of major accounting policies

1. Declaration of compliance

The Company's 2019 and 2018 Individual Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of preparations

The Company's Individual Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Pursuant to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current gain or loss and other comprehensive income in the Individual Financial Statements is equal to the current gain or loss and other comprehensive income as attributable to owners of parent company in the Consolidated Financial Statements. Furthermore, the owner's equity in the Individual Financial Statements is equal to the equity attributable to owners of the parent company in the Consolidated Financial Statements. Therefore, investments in subsidiaries are expressed using "investments accounted for using equity method" in the Individual Financial Statements, and necessary valuation adjustments will be made.

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

3. Foreign currency transaction

The functional currency of the Company's Individual Financial Statements is New Taiwan Dollar (NTD).

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

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

(1) For foreign the currency loans that arise from acquisition of assets that meet the requirements, if the resulting exchange differences are treated as adjustments of the interest capital, which is a component of the cost of loans, they will be capitalized as the cost of the asset.

(2) Foreign currency items within the scope of IAS 39 - Financial Instruments are accounted for based on the accounting policy for financial instruments.

(3) Monetary items that construe part of the net investments for overseas operations in the Consolidated Financial Statements. When translation differences that arise are recognized as other comprehensive income (loss), it will be reclassified to gain or loss from equity when the net asset is disposed.

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

4. Standard of classifying assets and liabilities as current and non-current

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

(1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(2) Asset is held for trading purposes.
(3) The asset is due to be realized within 12 months after the reporting period.
(4) It is cash or cash equivalent, except where the asset is exchanged or used to settle liabilities at least twelve months after the reporting period.

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

(1) The liability is expected to be settled during normal business cycle.
(2) Liability is held for trading purposes.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Company does not have an unconditional right to defer settlement of the liability for at

least twelve months after the reporting period. Settlement of liabilities may be made by the issue of equity instruments based on transaction party's choice, and will not impact classification.

5. Cash and cash equivalents

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

6. Financial instruments

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

(1) Recognition and valuation of financial assets

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

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

A Business model used in managing the financial assets
B Characteristics of the contractual cash flows from the financial asset

<u>Financial assets measured at amortized cost</u>

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

A Business model used in managing the financial assets: financial asset is held to receive contractual cash flows

B Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

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

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

A If it is a credit-impaired financial asset from acquisition or from founding, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets

B If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

<u>Financial assets at fair value through other comprehensive income (loss)</u>

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

A Business model used in managing the financial assets: financial asset is held to receive contractual cash flows and for sale of financial asset

B Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

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

A Prior to derecognition or reclassification, except for impairment interest or loss, exchange gain or loss will be recognized in the profit or loss, and its gain or loss will be recognized in other comprehensive income (loss)

B During derecognition, accumulated gain or loss recognized in other comprehensive income (loss) will be reclassified from equity to profit or loss as adjustments for reclassification

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

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

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

Financial assets measured at fair value through profit or loss

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

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

(2) Impairments of Financial Assets

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

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

A Unbiased and probability-weighted amount determined by evaluating each possible outcome
B The time value of money
C Reasonable and corroborative information related to past events, current conditions, and future economic forecasts (can be obtained at no excessive cost or input on the date of the balance sheet)

Method for valuating allowance for loss is as follows:

A Measure the expected credit loss over the next 12 months: including financial asset without significant increase in credit risk after initial recognition, or those ruled to have low credit risk on the date of the balance sheet. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.

B Measurement of the amount of lifetime expected credit losses: including financial asset with significant increase in credit risk after initial recognition or purchased or originated credit-impaired financial asset with credit impairment.

C For accounts receivable or contractual asset arising from transactions within the scope of IFRS 15, the Company adopts lifetime expected credit loss to measure allowance for loss.

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

(3) Derecognition of financial asset

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

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

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: recognition and measurement are either classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortized cost upon initial recognition.

Hybrid instruments

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

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

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

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

Financial liabilities at fair value through profit and loss

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

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

A The primary purpose for acquisition of the asset is short-term sales;

B It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or

C It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

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

A it eliminates or significantly reduces a measurement or recognition inconsistency; or

B A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally on that basis to the key management personnel.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and financial liabilities

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

7. Fair value measurement

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

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

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

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

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

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

8. Inventory

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

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

Commodity - The weighted average method is used for the actual purchase cost.

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

9. Investment accounted for using equity method

Investments to subsidiaries are made pursuant to Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." These investments are expressed by "investments accounted for using equity method" and necessary rating adjustment is conducted so that current profit and loss and other comprehensive income in the Individual Financial Statements and the current profit and loss and other comprehensive income (loss) attributable to owners of the parent company in the Consolidated Financial Statements are equivalent, and the owner's equity in the Individual Financial Statements is equivalent to the equity attributable to owners of parent company in the Consolidated Financial Statements. Such adjustments are made in consideration of the differences between the investment in subsidiaries in the Consolidated Financial Statements in accordance with IFRS 10 - Consolidated Financial Statements, and the applicable IFRS reporting at different levels, and either debits or credits the "investment accounted for using equity method," "profit or loss from subsidiaries, affiliates, and joint venture accounted for using equity method," or "other comprehensive income (loss) from subsidiaries, affiliates, and joint venture accounted for using equity method."
The Company's investment in affiliates adopts equity method except for those classified as available-for-sale. Affiliates refer to the companies in which the Company has material influence over.

Under the equity method, the investment affiliates are accounted for on the balance sheet as the amount recognized by the Company for the change in the net assets of the affiliate based on the shareholding ratio. After the carrying amount and other related long-term equity in investments in affiliates under the equity method are reduced to zero, extraneous losses and liabilities will be recognized in the context of legal obligations, constructive obligations, or payments made on behalf of the affiliates. Unrealized gain or loss occurring between the Company and affiliates will be eliminated in proportion to the shares held in the affiliates.

When the change in the equity of the affiliate is not due to profit or loss and other comprehensive profit or loss items, and does not affect the Company's shareholding ratio, the Company will recognize the change in the relevant ownership interest based on the shareholding ratio. Therefore, recognized capital surplus will be reverted to profit or loss in proportion to the disposal subsequent to disposal of the affiliates.

When an affiliate issues new shares, if the Company does not subscribe in proportion to its shareholding, the Company's shareholdings in the affiliate's net assets will increase or decrease accordingly. The change will be adjusted by "capital surplus" and "investments accounted for using equity method." When the shareholding ratio decreases, the recognized related items in other comprehensive income (loss) will be first reclassified to profit or loss or other appropriate item in proportion to the decrease in shareholding ratio. The aforementioned recognized capital surplus will be reverted to profit or loss during subsequent disposal of the affiliate.

The financial statements of the affiliates are prepared for the same reporting period as the Company, and adjusted to align their accounting policies with the Company's accounting policies.

The Company determines at each reporting date whether there is any objective evidence that the investment in the affiliate company is impaired in accordance with IAS 28 - Investment in Related Companies and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the affiliate company and its carrying value and recognizes the amount in the "share of profit or loss of an affiliate company" in the statement of comprehensive income in accordance with IAS 36 - Impairment of Assets. In case the aforementioned recoverable amount adopts the useful value of the investment, the Company will determine the relevant useful value based on the following estimates:

(1) The share of the present value of the estimated cash flows generated by the affiliates of the Company, including the cash flows generated by the affiliates due to the operation and the final disposal of the investment; or
(2) The Company expects to receive dividends from the investment and ultimately dispose of the present value of the estimated future cash flows generated by the investment.

Since goodwill component item that construes the carrying amount of the investment in affiliates is not separately recognized; hence, the Company is not required to undertake the test for goodwill impairment as stipulated in IFRS 36 - Impairment of Assets.

When material influence over affiliates is lost, the Company will conduct fair value measurement and recognize the remaining investments. When material influence is lost, the difference between the carrying amount of the investment in affiliates and the fair value of the retained investment plus the disposal price, will be recognized as profit or loss.

10. Property, plant, and equipment

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

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

Transportation vehicle: 5 years
Office equipment: 3-15 years
Leasehold improvements: 3-10 years

Other equipment: 3-10 years

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

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

11. Lease

Accounting treatment as of January 1, 2019:

Contracts formed on or after January 1, 2019 were evaluated by the Company whether they are (or include) leases. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Company will evaluate whether the following two factors occurred during the entire duration of use:

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

The Company has chosen not to reassess whether contracts are (or include) leases on January 1, 2019. The Company has applied the lease contracts identified during adoption of IAS 17 and IFRIC 4 to IFRS 16. Then, contracts that were identified as excluding lease during adoption of IAS 17 and IFRIC 4 were identified as inapplicable for IRFS 16.

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

The Company is the lessee

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

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

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

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

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

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

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

If the ownership of the target asset will be transferred to the Company when the lease period expires, or if the cost of the right-of-use asset reflects that the Company will exercise purchase option, then the depreciation of the right-of-use asset will be measured from the start date of the lease until the end of the asset's useful life. Otherwise, the Company will depreciate the right-of-use asset from the start date until the end of its useful life, or the end of the lease term, whichever is the earlier of the two.
The Company uses IAS 36 - Asset Impairment to determine whether an asset has been impaired and treats any identified impairment loss.

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

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

The Company is the lessor

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

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

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

Accounting treatment prior to January 1, 2019:

The Company is the lessee

Lease benefits under operating lease will be recognized as expense under the straight-line method during the lease period.

The Company is the lessor

All substantial risks and remuneration of the ownership of the leased items not transferred by the Company will be classified as operating lease. The initial direct cost arising from the arrangement of the operating lease is an addition to the carrying amount of the leased asset, and is recognized on the same basis as the rental revenue over the lease term. Rental revenue arising from operating lease will be recognized using the straight-line method during the lease term. Contingent rent will be recognized as revenue during the period in which rent will be available.

12. Intangible asset

Separately acquired intangible asset will be measured by cost during initial recognition. After initial recognition of intangible asset, its carrying amount will be the cost reduced by any accumulated amortization and accumulated impairment loss. Internally-arising intangible assets that do not meet the recognition criteria will not be capitalized, and will be recognized in profit or loss as they occur.
The useful life of an intangible asset has been classified as either finite or indefinite.

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

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

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

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

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

13. Non-monetary impairment

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

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

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

14. Revenue recognition

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

Sale of goods

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

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

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

Provision of service

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

15. Retirement pension plan

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

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

For retirement pension plans with defined benefit plan, the Company will include the amounts after the reporting period on actuarial report through projected unit credit method. Revaluation of net defined benefit liabilities (asset) includes any changes in return on plan assets and asset ceiling and will be reduced by amount of net interest included in the net defined benefit liability (asset) and actuarial profit or loss. When revaluation of net defined benefit liability (asset) occurs, it will be recognized under other comprehensive income (loss) and immediately recognized in retained earnings.
Past service cost is the change from the present value of the defined benefit plan due to plan revision or reduction, and will be recognized as expense on the earlier of the two dates:

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

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

16. Share-based payment transaction

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

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

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

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

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

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

17. Income tax

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

Current income tax assets

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

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

Deferred income tax

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

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

(1) Initial recognition of goodwill; or the initial recognition of an asset or liability not arising from a business combination transaction and does not affect accounting profits or taxable income (loss) at the time of the transaction;

(2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

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

(1) Deductible temporary difference arising from business combination with a non-affiliates, and is related to initial recognition of assets or liabilities that do not affect accounting profit or loss of taxable income (loss) at the time of transaction;

(2) Related to deductible temporary difference from equity in investments in subsidiaries, affiliates, or joint ventures, and is highly possible to revert in the foreseeable future, and the revert may be to the extent that there will be sufficient taxable income at the time for recognition of the temporary difference.

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

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

V. The primary sources of uncertainties in major accounting judgments, estimates, and assumptions

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

Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) Accounts receivable - estimates on impairment loss

The Company's estimate of impairment loss for receivables is measured by the amount of estimated credit losses over its lifetime, which will be based on the difference between the contractual cash flow (carrying amount) receivable and the expected cash flow (assessment of forward-looking information). However, discount effect of short-term receivables is insignificant and credit loss will not be measured by undiscounted difference. If the actual cash flow in the future is less than the estimate, there may be material impairment loss. Please refer to Note 6 for details.

(3) Inventory

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

(4) Retirement pension plan

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

(5) Share-based payment transaction

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

(6) Income tax

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

Unused tax loss and deferred tax carried forward and deductible temporary differences are recognized as deferred tax assets based on the context that it is highly likely future taxable income or taxable temporary differences will occur in the future. The determination of the amount of deferred tax asset to be recognized is at the point and standards where there may be differences between the future taxable income and taxable temporary difference as well as the estimate of future tax planning strategies.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

VI. Explanations of significant accounting items

1. Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand and petty cash	$6,404	$5,028
Cheques and demand deposit	246,126	476,218
Fixed deposit	25,450	70,000
Total	$277,980	$551,246

2. Financial assets measured at amortized costs

	2019.12.31	2018.12.31
Restrictive fixed deposit	$24,000	$24,000
Fixed deposit	3,000	3,000
Less: allowance for loss	-	-
Total	$27,000	$27,000
Current	$24,000	$24,000
Non-current	$3,000	$3,000

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

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

3. Bills receivable

	2019.12.31	2018.12.31
Bills receivable - from operating activities	$2,371	$1,563
Less: allowance for loss	-	-
Total	$2,371	$1,563

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

The Company's bills receivable have not had conditions of endorsement/guarantee.

The Company assesses information related to impairment and allowance for impairment using regulations from IFRS 9. Please refer to Note 6 for details. 17. Please refer to Note 12 for information on credit risk.

4. Net accounts receivable and payables - related parties

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

	2019.12.31	2018.12.31
Total accounts receivable	$316,458	$316,787
Less: allowance for loss	(418)	(59)
Sum	316,040	316,728
Total accounts receivable - related parties	305,586	189,985
Less: allowance for loss	-	-
Sum	305,586	189,985
Total	$621,626	$506,713

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

(3) The Company's credit line to customers is usually 60-120 days. The total carrying amounts were NT$ 622,044 thousand and NT$ 506,772 thousand on December 31, 2019 and December 31, 2018 respectively. Please refer to Note 6 for information related to allowance for impairment in 2019 and 2018. 17. Please refer to Note 12 for information on credit risk.

5. Inventory

(1) Net inventory is as follows:

	2019.12.31	2018.12.31
Goods on hand	$886,046	$555,057

(2) The Company recognized inventory cost of NT$ 5,187,063,000 and NT$ 3,752,897,000 in

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

2019 and 2018 respectively, including the following expenses:

Item	2019	2018
Allowance for inventory valuation and obsolescence loss	$258	$-
Inventory scrap loss	6,215	3,256
Inventory loss	3,367	4,766
Total	$9,840	$8,022

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

6. Investments accounted for using the equity method

The Company's investments accounted for using equity method are as follows:

	2019.12.31		2018.12.31	
Investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Investment in subsidiary:				
Ivy Biotechnology Co., Ltd.	$110,450	100%	$85,176	100%
Bai-Lin Logistics Co., Ltd.	2,419	100%	1,971	100%
Total	$112,869		$87,147	

(1) Investments in subsidiaries are expressed in "investments accounted for using equity method" in the Individual Financial Statements.

(2) Aforementioned investments accounted for using equity method has not had conditions with endorsement/guarantee.

7. Property, plant, and equipment

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:					
2019.01.01	$13,866	$235,850	$251,062	$51,330	$552,108
Acquisition	-	41,293	110,513	86,247	238,053
Disposal	-	-	-	-	-
Transfer	-	(118)	-	118	-
2019.12.31	$13,866	$277,025	$361,575	$137,695	$790,161
2018.01.01	$14,524	$177,679	$189,819	$10,900	$392,922
Acquisition	-	60,582	63,496	41,787	165,865
Disposal	(658)	(2,411)	(2,253)	(1,357)	(6,679)

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Transfer	-	-	-	-	-
2018.12.31	$13,866	$235,850	$251,062	$51,330	$552,108
Depreciation and impairment:					
2019.01.01	$9,411	$97,342	$69,779	$8,835	$185,367
Depreciation	1,917	38,463	35,253	13,965	89,598
Disposal	-	-	-	-	-
Transfer	-	-	-	-	-
2019.12.31	$11,328	$135,805	$105,032	$22,800	$274,965
2018.01.01	$9,138	$70,540	$46,942	$4,468	$131,088
Depreciation	821	27,190	23,125	4,864	56,000
Disposal	(548)	(388)	(288)	(497)	(1,721)
Transfer	-	-	-	-	-
2018.12.31	$9,411	$97,342	$69,779	$8,835	$185,367
Net carrying amount:					
2019.12.31	$2,538	$141,220	$256,543	$114,895	$515,196
2018.12.31	$4,455	$138,508	$181,283	$42,495	$366,741

Aforementioned property, plant, and equipment have not had conditions of endorsement/guarantee.

8. Intangible asset

	Computer software	Trademarks	Total
Cost:			
2019.01.01	$9,696	$-	$9,696
Acquisition - separately acquired	12,400	14,286	26,686
Derecognized at the end of useful life	(9,795)	-	(9,795)
2019.12.31	$12,301	$14,286	$26,587
2018.01.01	$4,912	$-	$4,912
Acquisition - separately acquired	5,635	-	5,635
Derecognized at the end of useful life	(851)	-	(851)
2018.12.31	$9,696	$-	$9,696
Amortization and impairment:			
2019.01.01	$6,635	$-	$6,635
Amortization	9,072	-	9,072

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Derecognized at the end of useful life	(9,795)	-	(9,795)
2019.12.31	$5,912	$-	$5,912
2018.01.01	$1,915	$-	$1,915
Amortization	5,571	-	5,571
Derecognized at the end of useful life	(851)	-	(851)
2018.12.31	$6,635	$-	$6,635
Net carrying amount:			
2019.12.31	$6,389	$14,286	$20,675
2018.12.31	$3,061	$-	$3,061

A
mortization for recognition of intangible assets is as follows:

	2019	2018
Operating expenses	$9,072	$5,571

9. Other non-current assets

	2019.12.31	2018.12.31
Prepaid equipment	$471	$18,250
Refundable deposits	60,207	48,038
Long-term prepaid rent	(Note)	6,432
Total	$60,678	$72,720

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

10. Financial liabilities measured at fair value through profit or loss

	2019.12.31	2018.12.31
Embedded derivative financial instruments		
Issuance of redemption rights for domestic convertible corporate bonds	$-	$3,690
Current	$-	$-
Non-current	-	3,690
Total	$-	$3,690

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

11. Other payables

	2019.12.31	2018.12.31
Expenses payable	$111,311	$92,866
Equipment payable	18,039	9,695
Net defined benefit liability - current	37	37
Total	$129,387	$102,598

12. Bonds payable

(1) Details of bonds payable are as follows:

	2019.12.31	2018.12.31
Elements of liability:		
Nominal amount of domestic convertible bond payable	$188,700	$300,000
Less: discount on domestic convertible bond payable	(4,999)	(13,431)
Sum	183,701	286,569
Less: portion maturing within 12 months	(183,701)	-
Net amount	$-	$286,569
Embedded derivative financial instruments - redemption rights	$-	$3,690
Equity element - conversion rights	$6,290	$10,001

Please refer to Note 6 for valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds. (merge)

(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 thousnad
(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

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	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 (1) stock transfer is halted pursuant to applicable laws; (2) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for capital increase, until the base date for right distribution, (3) 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 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, from July 19, 2018, the conversion price was adjusted from NT$90.8 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 31, 2018, 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.
(I)The Company's	(1) The conversion of corporate bonds shall be from

redemption rights: the day after the expiration of 3 months from the date of issue (September 13, 2018) to 40 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 started 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.

(2) 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 started 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.

(3) If the creditor does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and

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	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. 40 days before the base date (May 3, 2021) 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 5th 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 5 business days after the bond recovery base date. Creditor 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) As of December 31, 2019, the Company's first batch of unsecured convertible bonds declared conversion amount has reached NT$ 111,300 thousand, which was converted into 15,678 thousand shares of ordinary shares. The net amount due to the conversion (including par value of the convertible bonds and discount) higher than the nominal value of the shares was NT$ 92,191 thousand , recognized as an addition item to the capital surplus.

13. Retirement pension plan

Defined allocation plan

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

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The Company recognized defined allocation expense of NT$ 22,855 thousand and NT$ 18,194 thousand in 2019 and 2018 respectively.

Defined benefit plan

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

The Bureau of Labor Funds, Ministry of Labor, Executive Yuan, undertakes asset allocations based on the income and expenditure of the employee retirement fund. Investment of the fund is invested in self-operated and entrusted management methods, and adopts active and passive management medium- to long-term investment strategies. The Bureau of Labor Funds takes risks including market, credit, and liquidity into consideration in setting limits and control plan for the fund so that adequate flexibility can be used toward the compensation objective without excessive risk. As of December 31, 2019, the Company's defined benefit plan is expected to allocate NT$ 40 thousnad within the following year.

As of December 31, 2019 and December 31, 2018, the Company's defined benefit plan is expected to be realized by years 2036.

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

	2019	2018
Current service cost	$-	$-
Net interest from net defined benefit assets (liabilities)	43	56
Total	$43	$56

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

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

	2019.12.31	2018.12.31	2018.01.01
Present value of the defined benefit obligations	$8,558	$7,048	$6,538
Fair value of plan assets	(3,726)	(3,355)	(3,015)
Other non-current liabilities - net defined benefit liabilities recorded	$4,832	$3,693	$3,523

Adjustments to the net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
2018.01.01	$6,538	$(3,015)	$3,523
Current service cost	-	-	-
Interest expense (income)	104	(48)	56
Past service cost and settlement gain or loss	-	-	-
Sum	6,642	(3,063)	3,579
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	504	-	504
Experience-based adjustments	(98)	-	(98)
Remeasurement of defined benefit assets	-	(69)	(69)
Sum	406	(69)	337
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2018.12.31	7,048	(3,355)	3,693
Current service cost	-	-	-
Interest expense (income)	82	(39)	43
Past service cost and settlement gain or loss	-	-	-
Sum	7,130	(3,394)	3,736
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	461	-	461
Experience-based adjustments	967	-	967
Remeasurement of defined benefit assets	-	(109)	(109)
Sum	1,428	(109)	1,319
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-

2019.12.31	$8,558	$(3,726)	$4,832

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

	2019.12.31	2018.12.31
Discount rate	0.83%	1.16%
Expected rate of salary increase	2.00%	2.00%

Sensitivity analysis of every material actuarial assumption:

	2019		2018	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.5% increase in discount rate	$-	$686	$-	$567
0.5% decrease in discount rate	762	-	667	-
0.5% increase in expected salary	749	-	658	-
0.5% decrease in expected salary	-	682	-	565

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

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

14. Equities

(1) Common Stock

As of December 31, 2019 and December 31, 2018, the Company's authorized share capital is NT$ 600,000 thousand and has issued NT$ 425,820 thousand and NT$ 365,516 thousand in shares respectively. Each share has a par value of NT$10, and 42,582 thousand shares and 36,552 thousand shares were issued respectively. Each share has one voting right and right to receive dividend.

On March 9, 2018, the Company's Board of Directors' meeting has approved the capital increase of NT$ 30,000 thousand at the issued price of NT$62 per share. July 19, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$ 335,015 thousand with par value of NT$10 at 33,502 thousand shares.

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On June 29, 2018, the Company's Annual Shareholders' Meeting has approved the capital increase of NT$ 30,501 thousand. Upon approval from the Board of Directors, August 9, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$ 365,516 thousand with par value of NT$10 at 36,552 thousand shares.

On June 26, 2019, the Company's Annual Shareholders' Meeting has approved the capital capitalization of surplus of NT$ 47,517 thousand. Upon approval from the Board of Directors on July 22, 2019, September 1, 2019 was set to be the base date of the capitalization date, and the paid-in capital after the increase is NT$ 413,033 thousand with par value of NT$10 at 41,303 thousand shares.

In 2019, the employee stock options issued by the Company exercised subscription rights of NT$ 10,214 thousand, which were converted into 356 thousand ordinary shares. Upon approval from the Board of Directors on November 11, 2019, November 11, 2019 was set to be the base date of the increase. The paid-in capital after the increase was NT$ 416,593 thousand with par value of NT$10 at 41,659 thousand shares.

In 2019, the first batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT$ 111,300 thousand converting into 1,568 thousand ordinary shares, among which 645 thousand shares were recognized as a prepaid capital since the base date of increase was still pending for the Board of Directors' approval as of December 31, 2019.

(2) Capital surplus

	2019.12.31	2018.12.31
Share premium of ordinary shares	$427,962	$421,308
Premium on Conversion of Convertible Bonds	95,902	-
Employee stock options	1,909	2,928
Stock options	6,290	10,001
Expired stock options	2,647	1,562
Total	$534,710	$435,799

According to the law, the capital reserve shall not be used except to make up for Company deficit. When the Company has no deficit, the overage of the shares issued by the par value and the capital reserve generated by the proceeds of the donation can be used to charge up the capital up to a certain percentage of the paid-up capital each year. The aforesaid capital surplus may also be distributed in cash in proportion to the original share of the shareholders. In addition, capital surplus arising from any long-term equity investment shall not be used for any purpose.

(3) Appropriation of net income and dividend policy

A Appropriation of net income

Pursuant to the Company's Articles of Incorporation, if 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 competent authority. The remainder of which and any accumulated retained earnings 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

In response to economic fluctuations and to maintain a robust financial structure, the Company adopts balanced dividend policy, and the policy for future dividend distribution is as follow:

I. The Company will appropriate no less than 10% of the aforementioned distributable net income as shareholders' bonus. Nevertheless, when distributable net income is less than 10% of the paid-in capital, the Company may propose not to appropriate any bonus.

II. In consideration of a balanced and stable dividend policy, the Company will appropriate either share or cash dividend accordingly. Appropriations of cash dividend shall be no less than 10% of the annual total dividends.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

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 deficit. When the Company does not have past deficits, the Company pay 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

After adoption of the IFRS, pursuant to Directive Letter No. 1010012865 from the FSC, during first-time adoption, on the conversion date, the Company's conversion adjustment of unrealized revaluation increment and cumulative conversion adjustment to the retained earnings portion due to adoption of IFRS 1 - First-time Adoption of IFRS' exemption item granted the Company the option of appropriating the same amount of special capital reserve. After adoption of IFRS in preparing financial statements, during appropriation of distributable net income, the Company appropriated the difference between the balance allocated to special capital reserve during first-time adoption of IFRS and net deductions in other equity items to the special capital reserve. Subsequently, if other shareholders' equity deduction has reversed, the reversal shall be applicable to earnings distribution.

The Company has not had conditions where special capital reserve appropriation has occurred due to first-time adoption of IFRS.

E During the Company's Board of Directors' Meeting on March 3, 2020, and Annual Shareholders' Meeting on June 26, 2019, the appropriations of net income for 2019 and 2018 have been separately proposed and approved with the following details:

	Appropriation of net income		Dividends per share (NT$)	
	2019	2018	2019	2018
Legal capital reserve	$13,598	$10,601		
Cash dividends for ordinary shares	43,484	47,517	$1.00	$1.30
Stock dividends for ordinary shares	78,272	47,517	1.80	1.29
Total	$135,354	$105,635		

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Please refer to Note 6 for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors. (merge)

15. Share-based payment plans

Company employees can receive share-based payment as a part of employee benefits plan. Employees provide service as the consideration for receiving equity instruments, and such transaction will be treated as equity-settled share-based payment transaction.

Employee share-based payment plan

(1) 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 option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock options certificate has been granted. The duration of this stock options certificate is five years.

Information on the aforementioned share-based payment is as follows:

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT$)
2014.10.01	835	$28.69
2014.11.01	113	$28.69

(A) The following pricing model and assumptions are used toward the share-based payment plan granted in 2014:

	2014
Expected fluctuation rate (%)	23.38%-24.37%
Risk-free interest rate (RFR) (%)	1.12%-1.316%
Expected year of 100% stock subscription (year)	5
Weighted-average stock price (NT$)	40.48
Pricing model used	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.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

(B) Information on the employee stock option plan issued in 2019 and 2018:

	2019		2018	
	Number of outstanding stock options (Unit)	Weighted average Price at issuance (NT$)	Number of outstanding stock options (Unit)	Weighted average Price at issuance (NT$)
Outstanding stock options on January 1	557	$28.69	614	$32.91
Stock subscriptions in the current period	(356)	-	-	-
Stock options expired in the current period	(201)	-	(57)	-
Outstanding stock options on December 31	-	$-	557	$32.91
Executable stock options on December 31	-		334	
Weighted-average fair value of the stock options granted in the current period		$-		$-

(C) As of December 31, 2019, the aforementioned share-based payment plan has no outstanding stock options. Alternatively, the following is the information on outstanding stock options as of December 31, 2018:

	Execution price	Weighted average balance Lifetime (year)
Outstanding stock options on December 31, 2018	$32.91	0.75 years

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

	2019	2018
Recognized expenses due to	$-	$259

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

	2019	2018
share-based payment transactions		
(All are equity delivery share-based payment)		

(2) 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 option. Equity security subscriber may exercise the stock options for a certain period of time and proportion two years after the employee stock option certificate has been granted. The duration of this stock option certificate is six years.

Information on the aforementioned share-based payment is as follows:

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT$)
2019.12.01	1,879	$82.60

(A) The following pricing model and assumptions are used toward the share-based payment plan granted in 2019:

	2019
Expected fluctuation rate (%)	16.56%-24.87%
Risk-free interest rate (RFR) (%)	0.552%-0.580%
Expected year of 100% stock subscription (year)	6
Weighted-average stock price (NT$)	82.60
Pricing model used	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.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

(B) Information on the employee stock option plan issued in 2019 and 2018:

	2019	
	Number of outstanding stock options (Unit)	Weighted average Price at issuance (NT$)
Outstanding stock options on January 1	-	$-
Stock options granted in the current period	1,879	82.60
Stock subscriptions in the current period	-	-
Stock options expired in the current period	-	-
Outstanding stock options on December 31	1,879	$82.60
Executable stock options on December 31	-	
Weight of stock subscriptions granted in this period Average fair value		$0.65

(C) Below is the aforementioned share-based payment plan outstanding as of December 31, 2019:

	Execution price	Weighted average balance Lifetime (year)
Outstanding stock options on December 31, 2019	$82.60	5.92 years

(D) The Company's recognition of employee share-based payment expenses in 2019 and 2018 are as follows:

	2019	2018
Recognized expenses due to share-based payment transactions	$66	$-

(All are equity delivery share-based payment)

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

16. Operating revenue

	2019	2018
Revenue from customer contracts		
Revenue from sale of goods	$6,657,588	$4,890,702
Revenue from provision of service	44,355	23,391
Total	$6,701,943	$4,914,093

Information on the Company's revenue from customer contracts can be found below:

(1) Breakdown of revenue

	2019	2018
	Single department	Single department
Revenue from sale of goods	$6,657,588	$4,890,702
Revenue from provision of service	44,355	23,391
Total	$6,701,943	$4,914,093
Timing of revenue recognition:		
At a fixed point in time	$6,701,943	$4,914,093

(2) Contract balance

A Contract liability - current

	2019.12.31	2018.12.31	2018.01.01
Sale of goods	$474	$598	$241
Customer loyalty program	6,579	3,800	2,402
Total	$7,053	$4,398	$2,643

Explanations of the changes in the balance of contract liabilities in 2019 are as follows:

	Sale of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	$(362)	$(2,268)
Estimated increase in advance payment in the current period	238	5,047

Explanations of the changes in the balance of contract liabilities in 2018 are as follows:

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	Sale of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	$(70)	$(1,901)
Estimated increase in advance payment in the current period	427	3,299

17. Estimated credit impairment loss (gain)

	2019	2018
Operating expense - estimated credit impairment loss		
Accounts receivable	$359	$59

Please refer to Note 12 for information on credit risk.

(1) The Company's receivables (including notes receivable and accounts receivable) take into account factors including credit worthiness of the counterparty, regional and industrial factors, and use the expected credit loss amount during the lifetime to measure the allowance loss. Information for assessing the amount of allowance for loss as of December 31, 2019 and December 31, 2018 is as follows:

As of December 31, 2019

		Days overdue		
	Not overdue (Note)	31-180 days	More than 181 days	Total
Total carrying amount	$623,661	$672	$82	$624,415
Rate of loss	0%	50%	100%	
Expected lifetime credit loss	-	(336)	(82)	(418)
Carrying amount	$623,661	$336	$-	$623,997

As of December 31, 2018

		Days overdue		
	Not overdue	31-180 days	More than 181 days	Total
Total carrying amount	$508,222	$108	$5	$508,335
Rate of loss	0%	50%	100%	
Expected lifetime credit loss	-	(54)	(5)	(59)
Carrying amount	$508,222	$54	$-	$508,276

Note: None of the Company's bills receivables have become overdue.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

(2) Information on the changes in allowances for bills receivable and accounts receivable of the Company for 2019 and 2018 is as follows:

	Bills receivable	Accounts receivable
2019.01.01	$-	$59
Recognized in the period	-	359
2019.12.31	$-	$418
January 1, 2018 (pursuant to IAS 39)	$-	$-
January 1, 2018 Adjustments to retained earnings	-	-
January 1, 2018 (pursuant to IFRS 9)	-	-
Recognized in the period	-	59
2018.12.31	$-	$59

18. Lease

(1) The Company as a lessee (applicable for disclosures related to IFRS 16)

The Company leases real property (building and construction), and the term of lease for each contract is between 3 years to 20 years. Some of the contracts have stipulated that, without the lessor's consent, a lessee may not lease out, sublease, dispose of right, or grant all or part of the leased object's use to others using other methods, or to give the right of lease to others.

The leases' impacts on the Company's financial position, financial performance, and cash flow are described as follows:

A Amount recognized in the balance sheet

(a) Right-of-use assets

	Building and construction
Cost:	
2019.01.01	$1,994,604
Acquisition	769,837
Disposal	(34,881)
Transfer	-
2019.12.31	$2,729,560

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Depreciation and impairment:	
2019.01.01	$571,004
Depreciation	211,588
Impairment loss	-
Disposal	(9,059)
Transfer	-
2019.12.31	$773,533
Carrying amount:	
2019.12.31	$1,956,027

Note: The Company has adopted IFRS 9 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

(b) Lease liabilities

	2019.12.31	December 31, 2018 (Note)
Lease liabilities	$2,012,385	
Current	$202,699	
Non-current	$1,809,686	

Please refer to Note 6-20(3) for the Company's interest expense of lease liabilities in 2019; and refer to Note 12-5: liquidity risk management for the analysis on the expiration of lease liabilities as of December 31, 2019.

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

B Lessee's revenues and expenses related to lease activities

	2019	2018 (Note)
Short-term lease expense	$(11,005)	
Revenue from sublease of right-of-use asset	27,165	

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

As of December 31, 2019, the Company's committed short-term lease composition is not similar to the category of the aforementioned lease target related to short-term lease expense, and related lease commitment has amounted to NT$0.

C Cash flow related to the lessee and lease activities

From January 1, 2019 to December 31, 2019, the Company's total cash outflow related to lease has been NT$ 223,351,000.

(2) The Company as lessee - operating leases (applicable for disclosures related to IAS 17)

The Company has signed commercial lease contracts for storefronts with an average life of 1 to 18 years and has the right to renew the lease. There are no restrictive covenants on the Company in these contracts.

Based on the non-cancellable operating lease contracts, the total future minimum lease payments for years ending on December 31, 2019 and December 31, 2018 are as follows:

	2019 (Note)	2018
Less than one year		$186,439
More than 1 but no more than 5 years		719,951
More than 5 years		677,289
Total		$1,583,679

Recognition of operating lease expenses is as follows:

	2019 (Note)	2018
Minimum rental lease payment		$180,524

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

(3) The Company as lessor (applicable for disclosures related to IFRS 16)

The Company classifies leases for which nearly all risks and rewards associated with the ownership of the asset will not be transferred during the lease as operating leases.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

	2019	2018 (Note)
Lease revenue recognized from operating lease		
Fixed lease payment	$27,165	

In signing operating lease contracts, the Company has the following total amount of undiscounted lease payment as of December 31, 2019 and for the remaining years:

	2019	2018 (Note)
Less than one year	$26,352	
More than 1 but no more than 2 years	26,644	
More than 2 but no more than 3 years	26,741	
More than 3 but no more than 4 years	24,396	
More than 4 but no more than 5 years	21,832	
More than 5 years	96,576	
Total	$222,541	

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

(4) The Company as lessor - operating lease (applicable for disclosure related to IAS 17)

The storefront lease contracts the Company has signed all have a balance of less than one year. All tenancy agreements include clause that stipulates rent can be adjusted based on the current market conditions in each year.

Based on the operating lease contracts, the future minimum rent payment from lessees on December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019 (Note)	2018.12.31
Less than one year		$20,828

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

The Company recognized the following lease revenue:

	2019 (Note)	2018
Rental revenue recognized		$23,242

Some lease contracts after the Company rents a property. Below rental costs were recognized as deductions to rental revenue:

	2019 (Note)	2018
Recognized as deduction to rental revenue		$20,769

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

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

Function / Characteristic	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	$-	$427,891	$427,891	$-	$324,281	$324,281
Labor and health insurance expenses	-	46,800	46,800	-	36,252	36,252
Pension expenses	-	22,898	22,898	-	18,250	18,250
Remunerations for Directors	-	3,293	3,293	-	3,926	3,926
Other employee benefit expenses	-	37,897	37,897	-	30,125	30,125
Depreciation expenses	-	301,186	301,186	-	56,000	56,000
Amortization expenses	-	9,072	9,072	-	5,571	5,571

Note:

1. As of December 31, 2019 and December 31, 2018, the Company has had 1,090 and 887 employees respectively, in which three of whom were Directors who do not concurrently hold positions as employees of the Company.

2. For companies whose shares are listed on the Taiwan Stock Exchange (TWSE) or the

Taipei Exchange (TPEx), the following information should also be disclosed:

(1) Average employee benefit expense for 2019 and 2018 were NT$ 493 thousand and NT$463 thousand respectively.
(2) Average employee salary expense for 2019 and 2018 were NT$394 thousand and NT$367 thousand respectively.
(3) Average employee salary adjustment has been 7%.

The Company's Articles of Incorporation provide that if there is profit in the year, 3-10% of profit shall be allocated for employee compensation, and no more than 3% shall be allocated for remunerations of the Directors and Supervisors. But when accumulated loss is present, the Company shall first retain the profit to make up for deficits. The aforementioned employee compensation appropriated in shares or dividends shall be approved by a Board of Directors meeting attended by two-thirds or more of all Directors, and by a majority vote of all attending Directors, and reported to the Shareholders' Meeting. Please refer to 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 in 2019 were NT$ 5,007 thousand and NT$ 1,485 thousand respectively. Employee compensation and remunerations of the Directors and Supervisors recognized in 2018 were NT$4,071 thousand and NT$1,208 thousand respectively. The aforementioned amounts were recorded under compensation expenses. If the Board of Directors approves of appropriation of share-based employee bonus, the closing price on the date before the Board's resolution will be used as the basis of the share distribution. If difference is found between the estimate and the actual distributions after the Board's approval, the difference will be recorded as profit or loss in the subsequent year.

On March 9, 2019, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for 2019 of NT$5,007 thousand and NT$1,485 thousand respectively. No material difference is found between the actual distributions and the expenses recognized on the 2018 financial statements.

Actual distribution of employee compensation and remunerations of the Directors and Supervisors in 2018 had no material difference from the expenses recognized in financial statements.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

20. Non-operating income and expenses

(1) Other income

	2019	2018
Interest revenue	$969	$1,415
Rent revenue	27,165	2,473
Other revenue - others	6,978	2,891
Total	$35,112	$6,779

(2) Other profits and losses

	2019	2018
Gain (loss) on financial liabilities at fair value through profit or loss	$3,639	$(2,250)
Gain (loss) on lease modifications	1,129	-
Loss on disposal of property, plant, and equipment	-	(482)
Net exchange gain (loss)	(1,707)	418
Other losses	(10)	(334)
Total	$3,051	$(2,648)

(3) Financing costs

	2019	2018
Interest from bank borrowings	$-	$428
Interest expense from corporate bonds	4,950	2,986
Interest from lease liabilities	20,937	(Note)
Total	$25,887	$3,414

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

21. Components of the other comprehensive income (loss)

Components of other comprehensive income for the year ended December 31, 2019 inlucde the following:

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Items that will not be reclassified to profit or loss:	Arising in the current period	Reclassification and adjustment in the current period	Sum	Tax benefits (expenses)	After-tax amount
Actuarial gain(loss) from defined benefit plans	$(1,319)	$-	$(1,319)	$-	$(1,319)

Components of the other comprehensive income (loss) for year 2018 include the following:

Items that will not be reclassified to profit or loss:	Arising in the current period	Reclassification and adjustment in the current period	Sum	Tax benefits (expenses)	After-tax amount
Actuarial gain(loss) from defined benefit plans	$(337)	$-	$(337)	$-	$(337)

22. Income tax

Pursuant to amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable business income tax rate has been adjusted from 17% to 20% as of 2018. Surtax on unappropriated retained earnings has been adjusted from 10% to 5%.

(1) Major components of the 2019 and 2018 income tax expenses (gains) include the following:

Income tax recognized in profit or loss

	2019	2018
Current tax expenses (gains):		
Current tax payable	$25,344	$25,284
Adjustments in respect of current income tax of prior periods	88	210
Deferred tax expenses (gains):		
Deferred tax expenses (gains) related to initial recognition of temporary difference and its reversal	(1,018)	(845)
Deferred tax related to tax change changes or new taxable items	-	(235)
Income tax expense (gains)	$24,414	$24,414

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Income tax recognized in other comprehensive income

	2019	2018
Deferred tax expenses (gains):		
Remeasurement of defined benefit plans	$-	$-

(2) Adjustments of amount of income tax expense and accounting profit multiplied by applicable tax rate as follows:

	2019	2018
Profit before tax for continuing operations	$160,399	$130,416
Tax calculated at the domestic tax rate applicable to the income in relevant country	$32,079	$26,083
Tax effects of tax-exempt income	(9,482)	(3,436)
Tax effects of non-deductible expenses	1,279	1,140
Effects on income tax from deferred tax assets/liabilities	450	-
Additional tax levied on the unappropriated retained earnings	-	652
Deferred tax related to tax change changes or new taxable items	-	(235)
Adjustments in respect of current income tax of prior periods	88	210
Tax expense (benefits) recognized in profit or loss	$24,414	$24,414

(3) Deferred income tax asset (liabilities) balances related to the following items:

2019

	Beginning balance	Recognized in profit or loss	Recognized in Other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$127	$52	$-	$-	$179
Exchange loss (gain)	105	253	-	-	358
Deferred revenue	760	556	-	-	1,316
Unrealized profit on sales	967	607	-	-	1,574
Valuation loss on financial	450	(450)	-	-	-

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

liabilities					
Deferred tax expense/gain		$1,018	$-	$-	
Deferred net tax asset (liabilities)	$2,409				$3,427
Information stated on balance shee is as follows:					
Deferred income tax assets	$2,409				$3,427
Deferred income tax liabilities	$-				$-

2018

	Beginning balance	Recognized in profit or loss	Recognized in Other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$108	$19	$-	$-	$127
Exchange loss (gain)	160	(55)	-	-	105
Deferred revenue	408	352	-	-	760
Unrealized profit on sales	644	323	-	-	967
Employee benefits	9	(9)	-	-	-
Valuation loss on financial liabilities	-	450	-	-	450
Deferred tax expense/gain		$1,080	$-	$-	
Deferred net tax asset (liabilities)	$1,329				$2,409
Information stated on balance shee is as follows:					
Deferred income tax assets	$1,329				$2,409
Deferred income tax liabilities	$-				$-

(4) Filing and review of income tax

As of December 31, 2019, the Company's income tax filing and review conditions are as follows:

	Filing of income tax
The Company	Reviewed to 2017

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

23. Earnings per share, EPS

The calculation of the basic earnings per share (EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the Company for the current year by the weighted-average number of ordinary shares outstanding in the current year.

Diluted earnings per share (Diluted EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the Company (after adjusting for the dilution effect) by the weighted-average number of ordinary shares outstanding in the current year plus all weighted-average number of ordinary shares to be issued when the potential ordinary shares with dilutive effect are converted into ordinary shares.

(1) Basic EPS

	2019	2018
Net income (in NT$1,000)	$135,985	$106,002
weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	41,803	39,806
Basic earnings per share (NT$)	$3.25	$2.66

(2) Diluted EPS

	2019	2018
Net income (in NT$1,000)	$135,985	$106,002
Redemption gain or loss from issuance of domestic convertible bonds	(3,639)	2,250
Interest from convertible bonds	4,431	2,573
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect Net profit	$136,777	$110,825
weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	41,803	39,806
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	73	75
Employee stock options (in 1,000 shares)	1,361	250
Convertible bonds (in 1,000 shares)	3,868	3,759
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	47,105	43,890
Diluted EPS (NT$)	$2.90	$2.53

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

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.

VII. Related party transactions

1. Related parties who have had transactions with the Company during the reporting period include the following:

Name and relationship of the related parties

Name of related party	Relations with the Company
Ivy Biotechnology Co., Ltd.	Subsidiary
Bai-Lin Logistics Co., Ltd.	Subsidiary
Da Yu Property Management Co., Ltd.	Subsidiary

2. Material transaction matters with related parties

(1) Sales

	2019	2018
Bai-Lin Logistics Co., Ltd.	$2,106,251	$1,585,033

The transaction price of products sold to related party Bai-Lin Logistics Co., Ltd. by the Company approximately equals to the cost, and the payment term is to offset debts and liabilities, while payment term for regular customers is credit for 60-120 days.

(2) Purchase of goods

	2019	2018
Ivy Biotechnology Co., Ltd.	$290,947	$185,185

Purchases from related parties were different from transactions with other suppliers and transaction prices could not be compared. Additionally, terms of sale were credit for 30 days while the terms of sale for the average customer ranged from credit for 60-90 days.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

(3) Leases

A Rent revenue

Name of related party	Nature	2019	2018
Ivy Biotechnology Co., Ltd.	Building and construction	$7,276	$7,598

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

(4) Operating expenses

Name of related party	2019	2018
Bai-Lin Logistics Co., Ltd.	$629	$600

(5) Accounts receivable - related parties

	2019.12.31	2018.12.31
Ivy Biotechnology Co., Ltd.	$123	$343
Bai-Lin Logistics Co., Ltd.	305,463	189,642
Less: allowance for loss	-	-
Total, net	$305,586	$189,985

(6) Other receivables - related parties

	2019.12.31	2018.12.31
Ivy Biotechnology Co., Ltd.	$6,419	$9,495
Da Yu Property Management Co., Ltd.	4,932	-
Total	$11,351	$9,495

(7) Bills payable - related parties

	2019.12.31	2018.12.31
Ivy Biotechnology Co., Ltd.	$54,440	$11,619

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

(8) Accounts payable - related parties

	2019.12.31	2018.12.31
Ivy Biotechnology Co., Ltd.	$32,714	$19,354

(9) Other payables - related parties

	2019.12.31	2018.12.31
Ivy Biotechnology Co., Ltd.	$118	$-
Bai-Lin Logistics Co., Ltd.	124	-
Total	$242	$-

(10) Guarantee deposits

	2019.12.31	2018.12.31
Ivy Biotechnology Co., Ltd.	$240	$240

(11) Bonuses for the Company's key managerial officers

	2019	2018
Short-term employee benefits	$7,875	$7,754
Retirement benefits	472	465
Share-based payment	17	97
Total	$8,364	$8,316

VIII. Assets pledged

The Company has pledged the following assets as collateral:

	Carrying amount		
Item	2019.12.31	2018.12.31	Content of the secured liabilities
Financial asset measured after amortization - current	$24,000	$24,000	Credit card guarantee
Financial asset measured after amortization - non-current	3,000	3,000	Purchase contract guarantee
Total	$27,000	$27,000	

IX. Significant contingent liability and unrecognized contract commitments

N/A.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

X. Contingent disaster loss

N/A.

XI. Significant post-reporting period matters

From October 1, 2019 to December 31, 2019, the first batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT$ 44,900,000, which was converted into 645,000 ordinary shares. Upon approval from the Board of Directors on January 16, 2020, the base date for the capital increase was set to be January 16, 2020. Paid-in capital after the increase is NT$ 432,271,000 with par value of NT$10 at 43,227,000 shares.

XII. Others

1. Categories of financial instruments

Financial assets

	2019.12.31	2018.12.31
Financial assets measured at amortized cost	$1,028,764	$1,164,797

Financial liabilities

	2019.12.31	2018.12.31
Financial liabilities at amortized cost:		
Accounts payable	$1,146,040	$880,657
Bonds payable (including those maturing within 12 months)	183,701	286,569
Lease liabilities	2,012,385	(Note)
Sum	3,342,126	1,167,226
Financial liabilities at fair value through profit or loss:		
Specified financial liabilities at fair value through profit or loss	-	3,690
Total	$3,342,126	$1,170,916

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

2. Objective and policy of financial risk management

The objective of the Company's financial risk management is to manage the market risk, credit risk, and liquidity risk related to operating activities. The Company conducts the identification, valuation, and management of the aforementioned risks based on the Company's policy and risk appetite.

The Company has set up appropriate policy, procedures, and internal control in regards to the aforementioned financial risk management based on relevant standards. Material financing activities need to be reviewed by the Board of Directors in regards to relevant standards and internal control system. During implementations of financial management activities, the Company shall strictly abide by the regulations for financial risk management that have been set up.

3. Market risk

The Company's market risk is the risk of changes in fair value or cash flow from financial instruments due to market price changes. Market risk mostly includes exchange rate risk, interest rate risk, and other pricing risks (e.g. equity instruments).

In practice, very few risk variables are single-occurring, and the change in each risk variable is usually correlated. Nevertheless, the sensitivity analysis on the following risks does not take the interactions between various risk variables into consideration.

<u>Exchange rate risk</u>

The Company's operating activities are mostly transactions using the functional currency; therefore, exchange rate risk should not arise.

<u>Interest rate risk</u>

Interest rate risk is the risk of changes in fair value or future cash flow from financial instruments due to changes in market interest rate. The Company’s interest rate risk mostly includes variable rate investments classified as variable rate debt instrument investments.

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases or decreases by 1%, the Company's 2019 and 2018 income will increase by NT$ 2,701 thousand and decrease by NT$5,002 thousand respectively.

Equity price risk

As of December 31, 2019 and December 31, 2018, the Company does not hold equity securities measured by fair value. Therefore, equity price risk does not exist.

4. Credit risk management

Credit risk refers to the risk that the counterparty is unable to fulfill contractual obligations and leads to financial loss. The Company's credit risk mostly comes from operating activities (mostly from accounts receivable and notes) and financing activities (mostly bank deposits and various financial instruments).

Each business unit of the Company follows credit risk policy, procedure, and controls in managing credit risks. The credit risk valuation of all trading counterparties comprehensively measures factors including the counterparties' financial status, credit rating, past transaction experiences, current economic environment, and the Company's internal valuations. The Company also adopts certain credit enhancement tools (e.g. prepaid sales and insurance) on a timely basis to reduce the credit risk from certain customers.

As of December 31, 2019 and December 31, 2018, with the exception of accounts receivable from subsidiary, Bai-Lin Logistics Co., Ltd., which accounts 48.95% and 37.31% of the Company's accounts receivable respectively, the Company has not had concentration of credit risk on individual customers, hence credit risk should be moderate.

The Company's financing department manages credit risk by managing bank deposits and other financial instruments in accordance with Company policy. As the Company's transaction counterparties are determined by internal control procedures and are banks with good credit and investment-grade financial institutions, the Company is not subjected to material credit risk.

The Company has adopted IFRS 9 in the valuation of expected credit loss. Receivables are measured as allowances for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk and valuated 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.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Additionally, when evaluating financial assets that cannot be reasonably recovered, the Company will write-off the assets (for instance, if the issuer or the debtor experiences material financial difficulty or has become bankrupt).

5. Liquidity risk management

The Company maintains financial flexibility through contracts including cash and cash equivalents, convertible bonds, and leases. The following table summarizes the maturity of the payments contained in the contracts of the Company's financial liabilities. It is compiled based on the date on which the earliest possible repayment is required using its undiscounted cash flow. The amounts listed also include contracted interest. For interest cash flow paid using variable rate, its undiscounted interest is obtained through the yield curve at the end of the reporting period.

	Less than 1 year	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
2019.12.31						
Accounts payable	$1,146,040	$-	$-	$-	$-	$1,146,040
Bonds payable	183,701	-	-	-	-	183,701
Lease liabilities	247,996	243,853	238,391	232,569	1,221,232	2,184,041
2018.12.31						
Accounts payable	$880,657	$-	$-	$-	$-	$880,657
Bonds payable	286,569	-	-	-	-	286,569

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

6. Adjustments of liabilities from financing activities

Information on adjustments of liabilities in 2019:

	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
2019.01.01	$9,729	$1,477,240	$1,486,969
Cash flow	15,218	(222,246)	(207,028)
Non-cash flow			
Changes in scope of lease in this period	-	736,454	736,454
Interest from lease liabilities	-	20,937	20,937
2019.12.31	$24,947	$2,012,385	$2,037,332

Information on adjustments of liabilities in 2018:

	Short-term loans	Guarantee deposits	Lease liabilities (Note)	Issuance of corporate bonds	Total liabilities from financing activities
2018.01.01	$70,000	$3,767		$-	$73,767
Cash flow	(70,000)	5,962		295,000	230,962
Non-cash flow	-	-		(8,431)	(8,431)
2018.12.31	$-	$9,729		$286,569	$296,298

Note: The Company has adopted IFRS 16 as of January 1, 2019, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 16.

7. Fair value of financial instruments

(1) Valuation technique and assumptions used in measuring fair value

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The Company's method and assumptions in valuating or disclosing the fair value of financial assets and financial liabilities are as follows:

A The carrying amount of the cash and cash equivalents, account receivables, account payables and other current liabilities is a reasonable approximation of the fair value, mainly because the period of maturity of such instruments is short.

B The fair value of financial assets and financial liabilities that are traded in active market and have standard terms and conditions are determined by reference to market quotations (e.g., listed and traded stocks and bonds).

C For equity instruments without active market (e.g. private placement of shares in listed cabinets, shares of publicly issued companies without active markets, and shares of undisclosed companies), fair value is estimated at market value, which is the price generated by market transactions of the same or comparable equity instruments and other relevant information (e.g. lack of liquidity discount factor, similar price-to-earnings (P/E) ratio, similar price per book value or more).

D For debt instrument investments without active market, bank borrowings, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

(2) Fair value of financial instruments measured at amortized cost

Except for the following, the carrying amount of financial assets and financial liabilities measured by the Company's amortized cost is a close approximation of their fair value.

	Carrying amount	
	2019.12.31	2018.12.31
Financial liabilities:		
Bonds payable	$183,701	$286,569

	Fair value	
	2019.12.31	2018.12.31
Financial liabilities:		
Bonds payable	$185,719	$290,580

(3) Fair value ranked information of financial instruments

Please refer to Note 12-8 for fair value ranked information of financial instruments.

8. Derivatives

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

Embedded derivatives

The Company has identified embedded derivatives from issuance of convertible bonds. These have been separated from the host contract and are treated through measurement at fair value at profit or loss. Please refer to Note 6 for information on contracts for these transactions.

9. 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.

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

(2) Information on measurement of fair value ranks

The Company does not have assets measured by non-repetitive fair value. Information on the ranks of repetitive fair value of assets and liabilities is as follows:

As of December 31, 2019: no such conditions exist.

As of December 31, 2018:

	Rank 1	Rank 2	Rank 3	Total
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss				
Embedded derivatives	$-	$-	$3,690	$3,690

Transfer between Rank 1 and Rank 2 of fair value ranks

From January 1, 2019 to December 31, 2019 and January 1, 2018 to December 31, 2018, the Company's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value ranks 1 and 2.

Details on changes in repetitive fair value rank 3

For those of the Company's liabilities measured at repetitive fair value that are categorized as rank 3, adjustments from beginning to ending balance is as follows:

	Liabilities
	Financial instruments measured at fair value through profit or loss
2019.01.01	$3,690
Current issuance	-
Total loss recognized in this period: recognized in profit or loss (stated in "Other gains and losses")	
Recognized in profit or loss (stated in "Other gains and losses")	(3,639)
Transferred in the period	(51)
2019.12.31	$-

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

Among the aforementioned total losses recognized, losses related to liabilities held as of December 31, 2019 amounted to NT$0.

	Liabilities
	Financial instruments measured at fair value through profit or loss
2018.01.01	$-
Current issuance	1,440
Total loss recognized in this period: recognized in profit or loss (stated in "Other gains and losses")	
Recognized in profit or loss (stated in "Other gains and losses")	2,250
2018.12.31	$3,690

Among the aforementioned total losses recognized, losses related to liabilities held as of December 31, 2018 amounted to NT$ 2,250 thousand.

Information on material unobservable input in fair value Rank 3

For the Company's liabilities measured at repetitive fair value and categorized in fair value rank 3, the material unobservable input used toward fair value measurement is as follows:

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

As of December 31, 2019:

	Valuation technique	Material unobservable input	Quantitative information	Relations between input value and fair value	Valuation relations of sensitivity analysis of relations between input value and fair value Valuation relations of sensitivity analysis of relations
Financial liabilities:					
Measured at fair value through profit or loss					
Embedded derivatives	CRR Binary Tree Convertible Valuation Model	Fluctuation rate	17.78%	The higher the fluctuation rate, the higher the estimate of fair value	When fluctuation rate increases (decreases) by 1%, the Company's net income will increase/decrease by NT$0.

As of December 31, 2018:

	Valuation technique	Material unobservable input	Quantitative information	Relations between input value and fair value	Valuation relations of sensitivity analysis of relations between input value and fair value Valuation relations of sensitivity analysis of relations
Financial liabilities:					
Measured at fair value through profit or loss					
Embedded derivatives	CRR Binary Tree Convertible Valuation Model	Fluctuation rate	20.55%	The higher the fluctuation rate, the higher the estimate of fair value	When fluctuation rate increases (decreases) by 1%, the Company's net income will increase/decrease by NT$ 150 thousand.

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

As of December 31, 2019:

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (see Note 6.12 for details) (merge)	$-	$-	$185,719	$185,719

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified).

As of December 31, 2018:

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (Please refer to Note 6.12 for details) (merge)	$-	$-	$290,580	$290,580

10. Information on financial assets and financial liabilities in foreign the currency with material effect: Not applicable.

11. Capital management

    The most important objective of the Company's capital management is to ensure that a healthy credit rating and positive capital ratio can be preserved to support the maximization of business management and shareholders' rights. The Company management 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.

XIII. Notes on disclosures

(I) 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, affiliates, and joint ventures): None.

4. The Company's cumulative buy or sell of an individual marketable security of at least NT$300 million or 20% of the paid-in capital in this period: None.

5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: 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 refer to Attachment 1.

8. Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: Please refer to Attachment 2.

9. Derivatives transactions: None.

(II) 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 refer to Attachment 3.

2. When the Company has control over the investee, the Company shall disclose the investee (Note 13). (1) Relevant information:

(1) Capital financing for others: None.

(2) Endorsement/guarantee for others: None.

(3) Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and joint ventures): None.

(4) Cumulative buy or sell of an individual marketable security of at least NT$300 million or 20% of the paid-in capital in this period: None.

(5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: 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 refer to Attachment 4.

(8) Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: None.

(9) Derivatives transactions: None.

(III) Information on investments in Mainland China: None.

XIV. Departmental Information

The Company has already disclosed information on departments on the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd.

Purchases from and sales to related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital

January 1, 2019 to December 31, 2019

Attachment 1

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Sales/purchase company	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	$2,106,251	31.43%	Offset of debts and claims	No other customers for comparison	Non-affiliate: 60~120 days credit	Accounts receivable $305,463	49.11%	
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	$290,947	5.27%	30 days credit	No other vendor for comparison	Non-affiliate: 60~90 days credit	Bills payable $54,440	16.70%	
									Accounts payable $32,714	4.74%	

Great Tree Pharmacy Co., Ltd.

Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital:

As of December 31, 2019

Attachment 2

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Company Name	Name of counterparty	Relation	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	$305,463	8.51	$-	.		$-

Great Tree Pharmacy Co., Ltd.

Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China)

As of December 31, 2019

Attachment 3

Unit: Thousands of New Taiwan Dollar (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 care foods, mothers' and babies' supplies, and cosmetics	$40,612	$40,612	5,900,000 shares	100.00%	$110,450	$46,918	$44,930 (Note 1)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	No. 1, Gaobian Road, Neiding Li, Zhongli District,	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%	$2,419	$448	$448	
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%	$32,891	$(4,975)	$(2,985)	

Note 1: Includes income from investment recognized using equity method for this period of NT$46,918 thousand, realized profit from upstream transactions in previous period of NT$4,837 thousand, and unrealized profit from upstream transactions for this period of NT$7,825 thousand.

Great Tree Pharmacy Co., Ltd.

Purchases from and sales to related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital

January 1, 2019 to December 31, 2019

Attachment 4....

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Sales/purchase company	Counterparty......	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	$290,947	95.29%	30 days credit	Regular customer, not a limited company.	Non-affiliate: 30~60 days credit	Bills receivable $54,440	98.42%	
									Accounts receivable $32,714	73.56%	
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	$2,106,251	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable $305,463	100.00%	

VI. Financial turnover difficulties occurred to the company and its affiliates in the most recent year and up to the date of publication of this Annual Report: None.

Chapter 7. Review, Analysis, and Risks of Financial Conditions and Performance

I. Financial Conditions

Comparative analysis of financial conditions

Unit: NT$ '000

Item \ Year	2019	2018	Difference	
			Amount	Percentage of change (%)
Current assets	1,983,207	1,836,087	147,120	8.01
Property, plant and equipment	569,754	385,621	184,133	47.75
Right-of-use assets	2,033,808	-	2,033,808	-
Intangible assets	20,675	3,061	17,614	575.43
Other assets	70,636	81,019	-10,383	-12.82
Total assets	4,678,080	2,305,788	2,372,292	102.88
Current liabilities	1,548,137	926,252	621,885	67.14
Non-current liabilities	1,907,466	303,883	1,603,583	527.70
from financing activities	3,455,603	1,230,135	2,225,468	180.91
Capital	432,271	365,516	66,755	18.26
Capital surplus	534,710	435,799	98,911	22.70
Retained earnings	233,569	250,421	-16,852	-6.73
Non-controlling interests	21,927	23,917	-1990	-8.32
Total equity	1,222,477	1,075,653	146,824	13.65

1. Reasons for items with material changes:
   Explanation of changes that reach 20% or more in the most recent 2 years and the change reaches NT$10 million:
   (1) Increase in property, plant, or equipment is mostly attributable to the opening of franchise stores in 2019, leading to increases in leasehold improvement.
   (2) The increase of the right-of-use assets is mainly due to the application of IFRS16 lease, and the business premises of the company's franchised drug store are all leased, so this asset has increased significantly in the current period.
   (3) The increase of intangible assets is mainly due to the purchase of relevant trademark and rights of Prohealthcare system in the current period.
   (4) The increase in total assets is mainly due to the increase in PP&E, right-of-use assets and intangible assets.
   (5) The increase of current liabilities is mainly due to the increase of accounts payable due to the active stock up for expanding the store operation in the current period.
   (6) The increase of non current liabilities is mainly due to the increase of lease liabilities recognized in accordance with IFRS 16.
   (7) Increase in total liabilities is mostly attributable to increase in current liabilities and non current liabilities.
   (8) The increase in share capital is mainly due to the handling of surplus to capital increase, convertible corporate bonds conversion and the exercise of employee stock options in the current period.
   (9) The increase of capital reserve is mainly due to the conversion of convertible corporate bonds and the exercise of employee stock options in the current period.
2. Impacts and future response measures: aforementioned changes do not pose material unfavorable impacts on the Company; moreover, the Company's overall performance does not contain material abnormalities and hence do not need to propose response measures.

Note: The aforementioned financial information is consolidated information that has adopted IFRS reporting standards.

II. Financial Performance

(I) Financial performance comparison/analysis table

Unit: NT$ '000

Item \ Year	2019	2018	Increases (decreases)	Ratio of change (%)
Net operating revenue	6,601,612	4,900,729	1,700,883	34.71
Operating costs	5,005,992	3,694,983	1,311,009	35.48
Net operating margin	1,595,620	1,205,746	389,874	32.33
Operating expenses	1,453,249	1,081,214	372,035	34.41
Operating profit	142,371	124,532	17,839	14.32
Non-operating income and expenses	28,724	10,328	18,396	178.12
Income tax expenses	37,100	28,881	8,219	28.46
Net income	133,995	105,979	28,016	26.44
Other comprehensive income - net	-1,319	(337)	(982)	291.39
Total comprehensive income for the period	132,676	105,642	27,034	25.59

Explanation of changes that reach 20% or more in the most recent 2 years and the change reaches NT$10 million:

(1) Increase in net operating revenue: mostly attributable to the opening of 37 stores in 2019, the benefits from opening stores are gradually seen, and revenues from existing stores are showing steady growth.

(2) Increase in operating costs: mostly attributable to increase in operating revenue and has increased accordingly.

(3) Increase in operating margin: mostly attributable to increase in operating revenue and has increased accordingly.

(4) Increase in operating expense: mostly attributable to increase in operating revenue, leading to increases in salary expense, rent, and water, electricity, and gas fees.

Note: The aforementioned financial information is consolidated information that has adopted IFRS reporting standards.

(II) Estimated sales figures and references

Please see Letter to Shareholders on Pages 1~2.

(III) Possible influences and response measures to future financing and business

The Company is in the retail/wholesale channel for pharmacy management. Since we operate a variety of products, we also face competition from other pharmacies and drugstores. Under an increasingly competitive environment in the future, the Company will provide professional and well-rounded educational training for our employees to establish a professional brand value for "Great Tree Pharmacy Co., Ltd." In addition, we will develop service processes with high entry barriers through our innovative senior core management team, and to differentiate ourselves from industry competitors by rapidly reproducing our successful experiences of business development.

III. Cash Flow Analysis

(I) Explanation of changes in cash flow in the most recent year and improvement plan for any lack of liquidity

Unit: NT$ '000

Cash and cash equivalents at beginning of year	Net cash flow from operating activities throughout the year	Net cash inflow (outflow) from investing and financing activities throughout the year	Cash Balance, End of Year	Remedial measures for cash deficiency	
				Investment plans	Financial plan
633,661	224,888	(550,426)	308,123	—	—

1. Analysis of changes in cash flow during the year
   - (1) Operating activities: The new IFRS16 lease is applicable in the current year, so in order to express the depreciation expense of the right-of-use assets, the depreciation expense was increased significantly in the current year compared with that in 2018. If the impact is excluded, the operating activities in the current year are net cash outflow, mainly due to the opening of 37 stores in 2019 and the Company's active stock up.
   - (2) Investment activities: Mainly due to the increase of capital expenditure caused by the expansion of store operation in the current year.
   - (3) Financing activities: The new IFRS16 lease is applicable in the current year. Therefore, in order to express the amount of principal repayment, the cash outflow of financing activities was increased significantly in the current year compared with that in 2018. If the impact is excluded, the financing activities of the current year are net cash outflow, mainly caused by cash dividends.
2. Remedial measures for cash deficiency and liquidity analysis: not applicable.

(II) Cash liquidity analysis for the following year

Unit: NT$ '000

Cash and cash equivalents at beginning of year (Note)	Projected net cash flow from operating activities for the year	Projected cash outflow for the year	Expected Cash Balance (Deficit)	Expected remedial measures for cash deficiency	
				Investment plans	Financial plan
308,123	171,280	(343,484)	135,919	—	—

1.
   - Operating activities: The net cash inflow was about NT$171,280 thousand, mainly due to the Company's continuous establishment of franchise drug bureaus, and the increase of cash inflow caused by the profit of existing drug store.
   - Investing activities: Net cash outflow from investing activities for the year will be approximately NT$300,000 thousand , mostly attributable to set up of new franchise pharmacies, leading to increase expenditure related to leasehold improvements.
   - Financing activities: The annual net cash outflow from financing activities was about NT$43,484 thousand, mainly due to the payment of dividends.
2. Remedial measures for projected cash deficit and liquidity analysis: not applicable.

Note: cash and cash equivalents at beginning of the year comes from the Consolidated Financial Statements in 2019 which have been audited by CPA.

IV. Impact of Major Capital Expenditures on Corporate Finance and Business for the Most Recent Year: None.

V. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year

1. Reinvestment policy for the most recent fiscal year:
   The Company has established "Procedures for Acquisition and Disposal of Assets" pursuant to the competent authority's rules, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" as the reference for the Company's long-term

investment. When investment is needed to pursue for operational growth, the investment unit will collect and coordinate information including future outlook, market status and evaluate accordingly. In addition, the Company has also established "Subsidiary Supervision and Management Procedures" and "Transaction Procedures for Related Parties, Specific Companies, and Group Enterprises" to enhance supervision and management over reinvestments. These procedures stipulate relevant standards on the information disclosure, finance, business, inventory, and financial management of reinvestments, and conduct audit procedures either periodically or from time to time.

2. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year:

December 31, 2019; Unit: NT$ '000

Reinvestment business	Shareholding ratio	Investment gain or loss recognized in 2019	Major operations	Main reasons for income or loss	Improvement plan	Investment plan for the next year
Ivy Biotechnology Co., Ltd.	100.00%	43,930	Develop health supplement products	Continue to invest in new product R&D	None	None
Bai-Lin Logistics Co., Ltd.	100.00%	448	Product packaging and warehousing	Normal operations	None	None
Da Yu Property Management Co., Ltd.	60.00%	(2,985)	Building development	Operation has not yet begun	None	None

VI. Risk Management Analysis and Evaluation in the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report:

(I) Risk management policy and organizational structure

Organizational structure of the Company's risk management:

1. Risk management implementation: carried out by managers of each department and the Audit Office.
2. Unit responsible for risk management: the Board of Directors.
3. Risk management policy:
   (1) In case matters related to risk management occur, they should be immediately reported to an immediate Supervisor, Audit Office, General Manager, Chairman, and the Board of Directors or Supervisors.
   (2) The General Manager's Office is in charge of pre-assessment of the risks associated with strategic operations, and to follow-up on operational performance after the event, so that the Company's strategies can be aligned with our vision and achieve our operating objective.
   (3) The Company has established "Internal control system" and "Implementation Details of Internal Control" and "Self-evaluation Procedures for Internal Control System," and carry out risk control in practice through each procedure. Moreover, managers of each department rigorously monitor relevant risks and the Audit Office continuously controls and verifies the aforementioned risk items through risk evaluation. In case material violation is found or if the Company may incur material losses, a report will be immediately prepared for review and each Supervisor be notified. In addition, a Board meeting may be called immediately.

(II) Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures:

Item	2019		2018	
	Amount	Ratio on operating revenue (%)	Amount	Ratio on operating revenue (%)
Interest revenue	1,006	0.02	1,431	0.03
Interest expense	26,942	0.41	3,414	0.07
Exchange gain or loss	(1,707)	(0.03)	418	0.01

(1) Impact of interest rates on the Company's profit and loss and future response measures

The Company and its subsidiaries have received interest revenues of NT$1,006 thousand and NT$1,431 thousand in 2019 respectively, accounting for 0.02% and 0.03% on the operating revenue for each. Interest expenses were NT$26,942 thousand and NT$3,414 thousand respectively, accounting for 0.41% and 0.07% on each respectively. Interest expense and interest revenue in 2019 and 2018 accounted for relatively small percentage on the operating revenue; therefore, fluctuations in interest rate shall not pose material impacts on the Company's operations.

The Company's application of capital is conservative and prudent, and idle funds are mostly deposited into the demand deposit and fixed deposit in banks. These are products with relatively stable market interest rates, and in the future, the Company will continue to observe and respond to movements in interest rate accordingly, evaluate the capital stature and reduce any impacts from fluctuations in interest rates.

(2) Impact of exchange rates on the Company's profit and loss and future response measures

The Company and its subsidiaries' exchange gains (losses) in 2019 and 2018 were NT$(1,707 thousand) and NT$418 thousnad respectively, accounting for 0.03% and 0.01% on the operating revenue respectively. The proportion is very low, and the Company is operating in the domestic chain drug store. The purchase and sales are quoted in NT dollar, so the exchange rate change has no significant impact on the Company.

(3) Impact of inflation on the Company's profit and loss and future response measures

According to the consumer price index of 102.66 published by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan in December 2019, with an annual growth rate of 1.16% compared with the same period last year, it is obvious that the domestic inflation situation is well controlled and the price index is relatively stable, so there is no general inflation problem, so there is no significant impact on the Company's profits, and the Company always pays attention to the fluctuation of market prices and keeps good relationship with suppliers. As a result, there is no significant impact on profit or loss due to inflation.

(III) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken

(1) Policies on high risk, highly leveraged investments, main reasons for the profits or losses generated thereby, and future response measures to be undertaken

The Company is dedicated to management of its core business and does not make high risk, highly leveraged investments.

(2) Policies on loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken.

In the most recent year and up to the date of publication of this Annual Report, the Company has not loaned funds to others, made endorsements or guarantees, or undertaken derivative trading. Based on considerations of operational risk, the Company has already reported to the Board of Directors and approved the motion not to loan funds to others or to make endorsements or guarantees. If the Company plans to loan funds to others, make endorsements or guarantees or to undertake derivative trading in the future, relevant procedures will be carried out in accordance with the Company's "Procedures for Loaning of Funds", "Procedures for Providing Endorsements/Guarantees", and "Procedures for Acquisition and Disposal of Assets."

(IV) Future R&D projects and R&D expenditure to be invested

The Company is a professional medical and health care products chain channel operator for maternity and baby products, NHI prescription drugs, health supplements and health care products and has not established a R&D department and does not incur relevant R&D fees. Nevertheless, should needs for R&D arise due to business development in the future, the Company will hold a prudent attitude in considering whether R&D will bring synergistic effects to the Company to ensure the actual protection of shareholders' interests.

(V) Changes to local and overseas policies and laws that impact the company's financial operations and response measures

While carrying out each of the Company's business, the Company is in compliance with relevant domestic and overseas laws and monitors domestic and international policy developments and changes in legal environment at all times. We collect and provide relevant information to the management level to aid in their decision-making process to fully seize changes in the market environment. In the most recent year and as of the date of publication of this Annual Report, the Company's finances and business have not been impacted by changes in domestic and overseas policies and laws.

(VI) Technology and industry changes that impact the company's financial operations and response measures

The advancement of biotechnology enables health care and health products to be more accepted by the general public with more affordable prices. This is an important area for the Company's market development efforts. The Company is focused on continued introduction of information technology. Besides improving inventory turnover and effectively reducing operating costs, it can also enhance the management level's timely and effective decision-making and judgment and increase the Company's competitiveness.

(VII) Changes to corporate image that impact the Company's risk management and response measures

The Company has always been committed to maintaining a positive corporate image and sees needs of consumers as the primary considerations. The Company provides innovative services including free repair for electronic products and condition-less return of products within 10 days, fulfilling the Company's brand positioning of "a pharmacy you can trust" and frequently receives praises from customers, and also benefitting the Company's image. In the most recent year and up to the date of publication of this Annual Report, the Company's crisis management was not impacted by any changes to corporate image.

(VIII) Expected benefits and possible risks of mergers and response measures

The Company does not plan to merge with other companies. Should such plans arise in the future, the Company will maintain a prudent attitude in making relevant evaluations and fully consider the synergies from the merger to ensure protection of shareholders' interests.

(IX) Expected benefits and possible risks to expand the plans and response measures

The Company is a professional medical and health care products chain channel operator for maternity and baby products, NHI prescription drugs, health supplements and health care products and is focused on expanding franchise pharmacies and product sales. The Company does not have manufacturing and does not plan to build plants. The Company plans to establish new franchise stores under a prudent attitude, fully considers whether new stores can bring synergies to the Company to ensure shareholders' interests and rights in practice.

(X) Risks resulting from consolidation of purchasing or sales operations and response measures

The Company is a professional medical and health care products chain channel operator for maternity and baby products, NHI prescription drugs, health supplements and health care products, and sources of product purchasing are dispersed throughout Taiwan and does not have consolidated purchasing. Moreover, most suppliers are well-known brands both in Taiwan and abroad and have all partnered with the Company for many years. Therefore, there are no risks resulting from purchasing concentration. Moreover, the Company sells to the general public and has no sales concentration.

(XI) Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10 percent of the Company's shares, and related response measures

Company Directors, Supervisors, or shareholders holding more than 10% of the Company shares did not have major equity transfer or replacement of shares in the most recent year and up to the date of publication of the Annual Report.

(XII) Impact, risk, and response measures related to any change in governance rights in the company

In the most recent year and up to the date of publication of the Annual Report, the Company did not have changes in governance rights.

(XIII) For litigious or non-litigious incidents, please specify the material litigations that have been ruled or are in the process, non-litigious or administrative disputes for the Company and its Directors, Supervisors, general manager, substantial person in charge, major shareholders holding 10% or more of shares and affiliates, and possible material impacts on the shareholders' rights or prices of securities: None.

(XIV) Other important risks and countermeasures: the Company pays attention to information security, through information encryption, software and hardware firewall settings, and designates information personnel to regularly manage and monitor the effectiveness of the firewall, so as to ensure that the internal computer is not subject to external invasion and normal operation. The audit business report shall regularly report the information security inspection content to the Board of Directors in accordance with the audit plan, and relevant users and information managers shall receive information security education and training and advocacy regularly to enhance the awareness of information security.

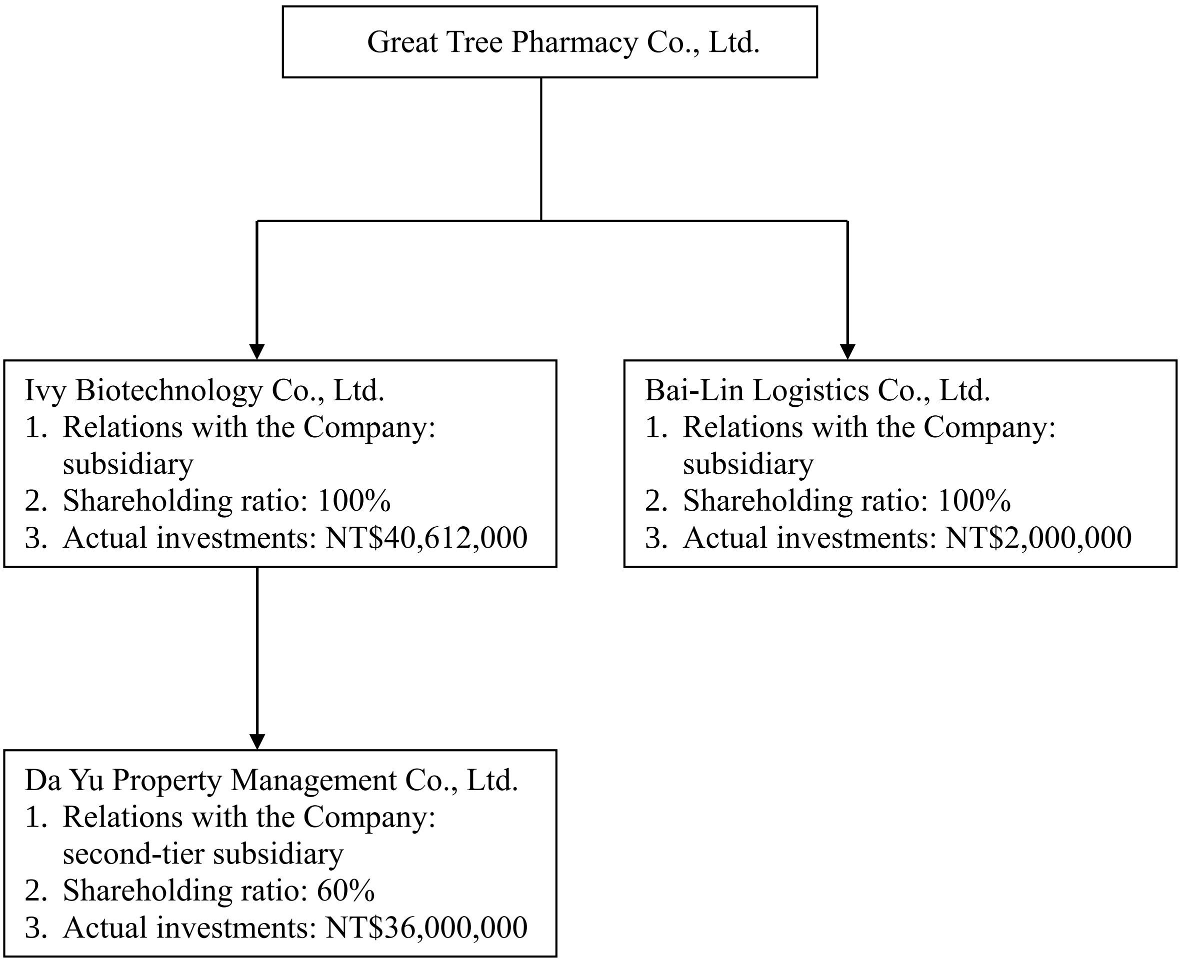
VII. Other Material Items: None.

Chapter 8. Special Notes

I. Information on Affiliates

(I) Affiliate overview

(1) Organizational structure of affiliates



(2) Basic information on each affiliate; Unit: NT$ '000

Name of business	Date of incorporation (Republic of China)	Address	Paid-in capital	Major business or production	Remark
Ivy Biotechnology Co., Ltd.	2007.6.27	No. 145, Chenggang 4th Street, Zhongli District, Taoyuan City.	$59,000	Wholesale and retail of various drugs and health foods	
Bai-Lin Logistics Co., Ltd.	2016.11.30	No. 1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City.	2,000	Wholesale and retail business, packaging and warehousing	
Da Yu Property Management Co., Ltd.	2017.04.28	No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City.	60,000	Buy/sell transactions and lease of real property	

(3) Presumptive control and affiliation in accordance with Article 369-3 of the Company Act: None.

(4) Businesses covered by operations of the affiliates: Please see "Basic information on each affiliate" for details.

(5) Information on Directors, Supervisors, and general managers of affiliates:

Name of business	Title	Name	Representative	Number of shares held	Shareholding ratio (%)	Remark
Ivy Biotechnology Co., Ltd.	Director Director Director Supervisor	Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd.	Liu Yu Teng Cheng Ming Lung Liu Mei Yun Lu Shan Feng	59,000,000	100.00	
Bai-Lin Logistics Co., Ltd.	Director Director Director Supervisor	Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd.	Liu Yu Teng Cheng Ming Lung Hsu Hao Liu Mei Yun	200,000	100.00	
Da Yu Property Management Co., Ltd.	Director Director Director Supervisor	Ivy Biotechnology Co., Ltd. Ivy Biotechnology Co., Ltd. Yu-Yang Investments Limited Wu Shu Yi	Cheng Ming Lung Sung Chao Feng Wu Cheng Yu	360,000	60.00	

(6) Operation overview of each affiliate; Unit: NT$ '000

Code of each affiliate	Name of business	Capital	Total assets	from financing activities	Net value	Operating revenue	Operating income or loss	Current profit and loss (after tax)	EPS or loss per share (after tax)
64690001	Ivy Biotechnology Co., Ltd.	59,000	255,494	138,678	116,816	305,316	38,754	46,918	7.95
64690002	Bai-Lin Logistics Co., Ltd.	2,000	314,993	312,574	2,419	1,991,550	536	448	2.24
64690003	Da Yu Property Management Co., Ltd.	60,000	103,886	49,068	54,818	0	(4,459)	(4,975)	(0.83)

Note: The aforementioned financial information is filled from Individual Statements that have adopted IFRS.

(II) Consolidated financial statements of affiliates: Please see #Pages 107~205# for details.

(III) Affiliate Report: Not applicable.

II. In the most recent year and up to the date of publication of the Annual Report, the processing of private offering of marketable securities and utilization of funds from private offering of securities and relevant implementation status: None.

III. Holding or Disposal of the Company's Shares by the Subsidiaries in the Most Recent Year Up to the Date of Publication of This Annual Report

IV. Other Necessary Supplements:

The Company has promised to add "in case the Company directly or indirectly forfeits capital increase to Ivy Biotech over the years in the future, or directly or indirectly disposes of its shares held in Ivy Biotech, leading the Company to lose substantial control over Ivy Biotech, a special resolution needs to be approved by the Company's Board of Directors in a meeting attended by all Independent Directors who should have expressed opinions" in the "Procedures for Acquisition and Disposal of Assets." The content of the aforementioned resolution and subsequent amendment of the Regulations shall be uploaded to the MOPS as material information to be disclosed and submitted to the Taipei Exchange in writing.

The Company has also issued a statement and amended its "Procedures for Acquisition and Disposal of Assets" on June 29, 2016 upon approval from the Shareholders' Meeting. The Company's Board meeting on December 21, 2018 has approved of the participation in cash capital increase from Ivy Biotech, and expects to issue 3,300,000 new shares with the par value of NT$10 and expects to raise NT$33 million. Registration of Ivy Biotech has been approved by the Taoyuan City Government on January 19, 2019, and paid-in capital after the current issuance will be NT$59 million. The subsidiary will continue to be 100% owned by the Company with the same shareholding status. As of the date of publication of the Annual Report, the promise has not been violated.

V. Events of considerable impact on shareholders' equity or on prices of securities as specified in Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act: None.