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

TWSE Stock Code: 6469

Great Tree Pharmacy Co., Ltd.
Parent Company Only Financial Statements
With Report Of Independent Accountants
For the Years Ended December 31,2019 and 2018

Company address: No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City
Company phone: 886-3-433-3123

The reader is advised that these financial statements have been prepard originally in Chinese. In the event of a conflict between these financial statements and the original Chinese vesion or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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		2018	
			Amount	%	Amount	%
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

Financial assets measured at amortized cost

Financial assets that meet the following two conditions will be measured at cost after amortization, and will be listed in the balance sheet under one of the following items: 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 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:

<u>Sale of goods</u>

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.

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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

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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

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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)

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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

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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

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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

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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

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

	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

<u>Defined allocation plan</u>

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.

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

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.

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

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:

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

	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.

Exchange rate risk

The Company's operating activities are mostly transactions using the functional currency; therefore, exchange rate risk should not arise.

Interest rate risk

Interest rate risk is the risk of changes in fair value or future cash flow from financial instruments due to changes in market interest rate. The Company’s interest rate risk mostly includes variable rate investments classified as variable rate debt instrument investments.

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases or decreases by 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)

			Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		
Sales/purchase company	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
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%	

Great Tree Pharmacy Co., Ltd.

1. Statement of Cash and Cash Equivalents

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000) or thousands of foreign currency

Item	Summary	Amount	Note
Cash on hand and petty cash		$6,404	1. The cash and bank deposits listed have not had conditions of endorsement/guarantee. 2. Exchange rate as of December 31, 2019: USD 1 = NTD 29.93 CNY 1 = NTD 4.28
Cheque and demand deposit:			
Chang Hwa Bank - North Zhongli Branch	Demand deposit and checking account(merge)	3,203	
Chang Hwa Bank - North Zhongli Branch	Foreign currency	44,752	USD 557; CNY 6,561
Standard Chartered Bank - Neili Branch	Demand deposit and checking account(merge)	5,373	
Taichung Bank - Zhongli Branch	Demand deposit	461	
Taishin Bank - Jianbei Branch(merge)	checking account(merge)	4	
Taishin Bank - Jianbei Branch(merge)	Foreign currency	35	CNY 8
Taichin Bank - Zhongli Branch	Demand deposit	162,065	
CTBC Bank - Zhongli Branch	Demand deposit	4,431	
CTBC Bank - Dunnan Branch	Demand deposit	4,876	
Fubon Bank - Hsinchu Branch	Demand deposit	451	
SCSB - Zhongli Branch	Demand deposit	20,475	
		246,126	
Fixed deposit:			
SCSB - Zhongli Branch		25,450	
Total		$277,980	

Great Tree Pharmacy Co., Ltd.

2. Details on Financial Assets Measured at Amortized Cost - Current

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name	Summary	Amount	Note
Taishin Bank - Jianbei Branch	Fixed deposit	$24,000	Provided to financial institutions as warranty/endorsement for credit card bills. Please refer to Note 8 to Financial Statements for details.

Great Tree Pharmacy Co., Ltd.

3. Details on Bills Receivable, Net

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of customer	Amount	Note
Pu-Yang Development and Tech	$883	balance of this account, and none are bills receivable from related parties.
Wen-De Pharmacy	416	
Kun Yang Co., Ltd.	364	
Hsueh-Fu Pharmacy	130	2. No conditions of endorsement/guarantee or pledg
Others	578	
Total	2,371	
Less: allowance for loss	-	
Total, net	$2,371	

Great Tree Pharmacy Co., Ltd.

4. Details on Accounts Receivable, Net

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of customer	Summary	Amount	Note
Others	Balance from each customer does not exceed 5% of the balance of this account.	$316,458	Accounts receivable listed to the left arise from sales of good from non-related party.
Less: allowance for loss		(418)	
Total, net		$316,040	

Great Tree Pharmacy Co., Ltd.

5. Details on Accounts Receivable - Related Parties, Net

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of related party	Amount	Note
Ivy Biotechnology Co., Ltd.	$123	Arising from product sales.
Bai-Lin Logistics Co., Ltd.	305,463	Arising from product sales.
Total(merge)	305,586	
Less: allowance for loss	-	
Total, net	$305,586	

Great Tree Pharmacy Co., Ltd.

6. Details on Other Receivables

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount	Note
Rent receivable	$2,006	
Discount on purchases receivable	85,576	
Others	854	
Total	$88,436	

Great Tree Pharmacy Co., Ltd.

7. Details on Other Receivables - Related Parties(merge)(merge)

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of related party	Amount	Note
Ivy Biotechnology Co., Ltd.	$6,419	Incurred from rent and advance payment.
Da Yu Property Management Co., Ltd.(me	4,932	
Total	$11,351	

Great Tree Pharmacy Co., Ltd.

8. Details on Inventories, Net

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount		Note
	Cost	Net Realizable Value	
Commodity	$886,939	$2,000,218	1. The inventory listed to the left have not had conditions of endorsement/guarantee. 2. Except for same type inventories, the comparison of cost and net realizable value should be compared one-by-one.
Less: allowance for valuation and obsolescence loss	(893)		
Total, net	$886,046		

Great Tree Pharmacy Co., Ltd.

9. Details on Prepayments

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount(merge)	Note
Prepaid inventory	$4,245	
Prepaid rent	159	
Other prepaid expenses	5,909	
Tax overpaid retained(merge)	7,835	
Total	$18,148	

Great Tree Pharmacy Co., Ltd.

10. Details on Other Current Assets(merge)(merge)(merge)

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount(merge)	Note
Temporary payments	$3,470	

Great Tree Pharmacy Co., Ltd.

11. Details on Financial Assets Measured at Amortized Cost - Non-current

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name(merge)	Summary	Amount	Note
Standard Chartered Bank	Fixed deposit	$3,000	warranty for sales contracts. Please refer to Note 8 to Financial Statements for detail.

Great Tree Pharmacy Co., Ltd.

12. Details on Changes in Investments Accounted Using Equity Method

January 1, 2019 to December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Investee	Beginning balance		Increase in the period		Decrease in the period		Ending balance			Market value or net value		Collateral or pledge	Note
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding ratio	Amount	(NTD)	Total price		
Ivy Biotechnology Co., Ltd.	5,900,000	$85,176	-	$43,930 (Note 1)	-	$(18,656) (Note 2)(merge)	5,900,000	100.00%	$110,450	$19.80	$116,816	None	
Bai-Lin Logistics Co., Ltd.	200,000	1,971	-	448	-	-	200,000	100.00%	2,419	12.10	2,419	None	
Total		$87,147		$44,378		$(18,656)			$112,869		$119,235		

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: Includes cash dividend of NT$ 15,812 thousand received from investee and IFRS 16 retrospective adjustment of NT$ 2,844 thousand.

Great Tree Pharmacy Co., Ltd.

13. Details on Other Non-Current Assets

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount	Note
Prepaid equipment	$471	
Refundable deposits		
Rental deposit	52,040	
Others	8,167	
Sum	60,207	
Total	$60,678	

Great Tree Pharmacy Co., Ltd.

14. Details on Contract Liabilities

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount	Note
Prepaid sale of goods		
Great Tree Pharmacy Co., Ltd. Da	$46	
Taoyuan Guishan Pharmacy	34	
Neili Zhongxiao Pharmacy	30	
Others	364	Note: The balance for all other customers did not exceed 5% of the balance of this account.
Sum	474	
Deferred revenue	6,579	
Total	$7,053	

Great Tree Pharmacy Co., Ltd.

15. Details on Bills Payable

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of supplier	Summary	Amount(merge)	Note
Whei Enterprise Co., Ltd.		$25,850	
Keng Fang Hang Co., Ltd.		22,585	
Others	The balance for all other customers did not exceed 5% of the	223,157	The bills listed to the left arise from business operations and are all
Total		$271,592	

Great Tree Pharmacy Co., Ltd.

16. Details on Bills Payable - Related Parties

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of supplier(merge)(merge)(merge)	Summary	Amount	Note
Ivy Biotechnology Co., Ltd.		$54,440	Incurred from purchases.

Great Tree Pharmacy Co., Ltd.

17. Details on Accounts Payable

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of supplier(merge)(merge)	Summary	Amount	Note
Zuellig Pharma Inc.		$52,309	Accounts listed to the left arise from business operations and are all accounts from non-related parties.
Unicharm Corporation		46,486	
DKSH Taiwan		36,301	
Others	The balance for all other customers did not exceed 5% of the	522,569	
Total		$657,665	

Great Tree Pharmacy Co., Ltd.

18. Details on Accounts Payable - Related Parties

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of related party(merge)	Amount	Note
Ivy Biotechnology Co., Ltd.	$32,714	Incurred from purchases.

Great Tree Pharmacy Co., Ltd.

19. Details on Other Payables

As of December 31, 2019

it: Thousands of New Taiwan Dollar (NT$1,000)

Item(merge)	Amount	Note
Salary and bonus payable	$68,612	
Employee compensation payable	9,078	
Remunerations of the Directors and Supervisors payable	2,693	
Equipment payable	18,039	
Insurance expenses payable	8,700	
Administrative expenses payable	1,797	
Pension payable	4,148	
Others	16,320	
Total	$129,387	

Great Tree Pharmacy Co., Ltd.

20. Details on Other Payables - Related Parties(merge)(merge)

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of related party(merge)	Amount	Note
Ivy Biotechnology Co., Ltd.	$118	
Bai-Lin Logistics Co., Ltd.	124	
Total	$242	

Great Tree Pharmacy Co., Ltd.

21. Details on Changes in Tax Liabilities in the Period

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount	Note
Beginning balance	$17,358	
Add: 2019 business income tax estimated in the period	25,344	
Adjustments in respect of current income tax of prior periods	88	
Less: 2018 business income tax paid in the period	(16,709)	
Additional surtax on 2017 unappropriated retained earnings paid in the period	(652)	
Business income tax and additional surtax on unappropriated retained earnings from previous years paid in the period	(85)	
Temporary and interest withholding tax paid for this period	(12,406)	
Ending balance	$12,938	

Great Tree Pharmacy Co., Ltd.

22. Details on Lease Liabilities

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Lease period	Discount rate	Beginning balance	Note
Building and construction	February 1, 2006 to December 18, 2034	1.20%	$2,012,385	
less: lease liabilities due within 12 months			(202,699)	
Lease liabilities due after 1 year or more			$1,809,686	

Great Tree Pharmacy Co., Ltd.

23. Details on Other Current Liabilities(merge)(merge)

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount(merge)	Note
Temporary payment	$1,183	
Receipts under custody	7,541	
Business tax	4,167	
Total	$12,891	

Great Tree Pharmacy Co., Ltd.

24. Details on Changes in Net Defined Benefit Liabilities

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item(merge)(merge)	Amount	Note
Beginning balance	$3,656	
Add: beginning recognition of expenses payable	37	
Recognized in the period	43	
Actuarial gain (loss)	1,319	
Less: appropriated to Department of Trust, Bank of Taiwan in the period	(223)	
Ending balance of expenses payable	(37)	
Ending balance	$4,795	

Great Tree Pharmacy Co., Ltd.

25. Details on Guarantee Deposit

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount(merge)	Note
Purchase guarantee for suppliers	$20,664	
Rental deposit	4,283	
Total	$24,947	

Great Tree Pharmacy Co., Ltd.

26. Details on Net Operating Revenue

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount (Note)	Amount	Note
Sales revenue			
Maternity and baby products		$3,338,195	Note: 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.
National Health Insurance (NHI) prescription drugs		987,035	
Health foods and supplements		1,370,541	
Health care products		742,854	
Others		218,963	
Service revenue		44,355	
Total		$6,701,943	

Great Tree Pharmacy Co., Ltd.

27. Details on Net Operating Costs

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount	Note
Acquired cost of sales		
Beginning inventory	$555,691	
Add: net purchases in the period	5,518,053	
Less: ending inventory	(886,939)	
Inventory scrapped	(6,215)	
Loss on physical inventory	(3,367)	
Cost of goods sold	5,177,223	
Add: loss on physical inventory	6,215	
Loss on physical inventory	3,367	
Loss on inventory market value decline	258	
Operating costs	$5,187,063	

Great Tree Pharmacy Co., Ltd.

28. Details on Sales and Marketing Expenses(merge)(merge)

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount(merge)	Note
Salary expenses	$333,222	
Rental expenses	3,611	
Shipping fee	34,062	
Postage fee	5,301	
Repair fee	4,482	
Advertisement fee	37,022	
Water, electricity, and gas fee	30,322	
Insurance fee	33,080	
Depreciation	283,649	
Amortization	564	
Food expenses	21,693	
Employee benefits	5,995	
Pharmacy service fee	288,757	
Training fee	3	
Others	106,822	
Total	$1,188,585	

Great Tree Pharmacy Co., Ltd.

29. Details on Administration Expenses

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Amount	Note
Salary expenses	$114,235	
Rental expenses	7,394	
Advertisement fee	7,658	
Water, electricity, and gas fee	2,105	
Insurance fee	15,550	
Depreciation	17,537	
Amortization	8,508	
Food expenses	8,325	
Employee benefits	1,030	
Service fee	9,211	
Employee compensation	5,007	
Remunerations of the Directors and Supervisors	1,485	
Honorarium for Directors and Supervisors	133	
Consumption fee	2,385	
Miscellaneous purchases	3,332	
Training fee	851	
Others(merge)	17,445	
Total	$222,191	

Great Tree Pharmacy Co., Ltd.

30. Details on Non-operating Revenue and Expenses

As of December 31, 2019

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Item	Summary(merge)	Amount	Note
Other income			
	Interest revenue	$969	
	Rent revenue	27,165	
	Other income	6,978	
Total		$35,112	
Other gains and losses			
	Gains on financial liability at fair value through profit or loss	$3,639	
	Gains on lease modifications	1,129	
	Net foreign currency exchange loss	(1,707)	
	Other losses(merge)	(10)	
Total		$3,051	
Finance costs			
	Interest expenses from bonds	$4,950	
	Interest from lease liabilities	20,937	
		$25,887	
Shares of subsidiaries, affiliates, and joint ventures accounted for using the equity method			
	Investment income	$44,378	