

TWSE Stock code: 6469
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Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Financial Statements with Independent Auditors' Review
Report

For the Three Months Ended March 31, 2022 and 2021

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

Notice to Reader: For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail

Consolidated Financial Statements
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Independent Auditors' Review Report

To Great Tree Pharmacy Co., Ltd.

Introduction

We have audited the accompanying Consolidated Balance Sheets of Great Tree Pharmacy Co., Ltd. (the “Company”) and its subsidiaries as of March 31, 2022 and March 31, 2021, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months ended March 31, 2022 and March 31, 2021, as well as Notes to the Consolidated Financial Statements, including the Summary of Significant Accounting Policies (together “the Consolidated Financial Statements”). The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows from January 1 to March 31, 2022 and 2021 and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Ernst & Young

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

Auditing and Attestation No. (2017) FSC No. 1060026003

No. (1998)TCZ(VI)65315

Lo Hsiao-Chin

Certified Public Accountant (CPA)

Mars Hong

May 12, 2022

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of March 31, 2022, December 31, 2021, and March 31, 2021
(March 31, 2022 and March 31, 2021 were reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

Asset			March 31, 2022		December 31, 2021		March 31, 2021	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6. 1	\$1,122,911	15	\$1,308,469	18	\$783,459	13
1136	Financial assets measured at amortized cost	6. 2, and 8	24,000	-	24,000	1	24,000	-
1150	Notes receivable, net	6. 3	4,014	-	2,144	-	2,543	-
1170	Net accounts receivable	6. 4	458,260	6	468,728	6	376,162	6
1200	Other receivables		43,704	1	44,412	1	36,327	1
1220	Income tax asset for the period		-	-	-	-	45	-
1300	Inventory	6. 5	2,073,427	27	1,839,468	25	1,558,215	25
1410	Prepayments		58,459	1	41,137	1	41,961	1
1470	Other current assets		6,108	-	10,498	-	3,641	-
	Total current assets		3,790,883	50	3,738,856	52	2,826,353	46
15xx	Non-current assets							
1535	Financial assets measured at amortized cost	6. 2, and 8	3,000	-	3,000	-	3,000	-
1600	Property, plant and equipment	6. 6	775,910	10	749,832	10	699,659	11
1755	Right-of-use assets	6. 17	2,896,548	38	2,768,801	37	2,492,727	41
1780	Intangible assets	6. 7	23,609	-	20,530	-	17,203	-
1840	Deferred tax assets	4 and 6. 20	12,726	-	11,828	-	11,355	-
1900	Other non-current assets	6. 8	100,047	2	97,017	1	80,096	2
	Total non-current assets		3,811,840	50	3,651,008	48	3,304,040	54
1xxx	Total assets		\$7,602,723	100	\$7,389,864	100	\$6,130,393	100

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Balance Sheets (continued)
As of March 31, 2022, December 31, 2021, and March 31, 2021
(March 31, 2022 and March 31, 2021 were reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			March 31, 2022		December 31, 2021		March 31, 2021	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term loans	6. 9	\$370,000	5	\$370,000	5	\$370,000	6
2130	Contract liabilities	6. 15	14,426	-	11,902	-	9,931	-
2150	Notes payable		336,322	4	584,117	8	298,359	5
2170	Accounts payable		1,344,258	18	1,138,318	15	902,778	15
2200	Other payables	6. 10	413,130	5	295,222	4	191,599	3
2230	Tax liabilities for this period	4 and 6. 20	110,360	1	78,312	1	57,685	1
2280	Lease liabilities	6. 17	347,208	5	309,123	4	290,309	5
2300	Other current liabilities		35,156	1	26,672	1	40,260	1
2321	Corporate bonds that mature or execute the right to sell back within one year or one operating cycle	6. 11	-	-	-	-	30,206	-
	Total current liabilities		2,970,860	39	2,813,666	38	2,191,127	36
25xx	Non-current liabilities							
2580	Lease liabilities	6. 17	2,658,327	35	2,562,052	35	2,287,142	37
2640	Net defined benefit liabilities	6. 12	5,645	-	5,645	-	3,425	-
2645	Guarantee deposits		67,525	1	56,005	1	45,135	1
	Total non-current liabilities		2,731,497	36	2,623,702	36	2,335,702	38
2xxx	Total liabilities		5,702,357	75	5,437,368	74	4,526,829	74
31xx	Equity attributable to shareholders of parent company							
3100	Share capital	6. 13						
3110	Ordinary share capital		709,111	9	700,431	9	533,446	9
3140	Prepaid share capital		-	-	6,679	-	1,791	-
3200	Capital surplus	6. 13	736,401	10	726,345	10	668,802	11
3300	Retained earnings	6. 13						
3310	Legal capital reserve		92,969	1	92,969	1	73,419	1
3350	Unappropriated earnings		341,168	5	405,446	6	305,701	5
36xx	Non-controlling interests	6. 13	20,717	-	20,626	-	20,405	-
3xxx	Total equity		1,900,366	25	1,952,496	26	1,603,564	26
	Total liabilities and equity		\$7,602,723	100	\$7,389,864	100	\$6,130,393	100

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2022 and 2021
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars, except for earnings per share)

Code	Item	Note	Q1 2022		Q1 2021	
			Amount	%	Amount	%
4000	Operating revenue	6. 15	\$3,193,826	100	\$2,481,879	100
5000	Operating costs		(2,352,538)	(74)	(1,838,211)	(74)
5900	Gross profit		841,288	26	643,668	26
6000	Operating expenses					
6100	Selling and marketing expenses		(599,114)	(19)	(486,586)	(20)
6200	General and administrative expenses		(102,174)	(3)	(78,930)	(3)
6450	Expected credit (loss) gain	6. 16	(774)	-	-	-
	Total operating expenses		(702,062)	(22)	(565,516)	(23)
6900	Operating profit		139,226	4	78,152	3
7000	Non-operating income and expenses					
7100	Interest income	6. 19	166	-	168	-
7010	Other income	6. 19	15,484	1	17,844	1
7020	Other gains and losses	6. 19	3,797	-	2,504	-
7050	Financing costs	6. 19	(9,468)	-	(8,455)	-
	Total non-operating income and expenses		9,979	1	12,061	1
7900	Profit before tax		149,205	5	90,213	4
7950	Income tax expenses	4 and 6. 20	(31,150)	(1)	(18,281)	(1)
8200	Net income		118,055	4	71,932	3
8300	Other comprehensive income (loss)		-	-	-	-
8500	Total comprehensive income (loss)		\$118,055	4	\$71,932	3
8600	Net income attributable to:					
8610	Owners of the parent		\$117,964	4	\$71,810	3
8620	Non-controlling interests		91	-	122	-
			\$118,055	4	\$71,932	3
8700	Total comprehensive income attributable to:					
8710	Owners of the parent		\$117,964	4	\$71,810	3
8720	Non-controlling interests		91	-	122	-
			\$118,055	4	\$71,932	3
9750	Basic ESP (NT\$)	6. 21	\$1.67		\$1.04	
9850	Diluted EPS (NT\$)	6. 21	\$1.61		\$1.01	

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2022 and 2021
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	Equity attributable to shareholders of parent company						Non-controlling interests	Total equity
		Share capital	Prepaid share capital	Capital surplus	Retained earnings		Total		
					Legal capital reserve	Unappropriated earnings			
		3100	3140	3200	3310	3350	31XX	36XX	3XXX
A1	Balance as of January 1, 2021	\$530,659	\$2,787	\$658,506	\$73,419	\$233,891	\$1,499,262	\$20,283	\$1,519,545
D1	Net income for the three months ended March 31, 2021					71,810	71,810	122	71,932
D3	Other comprehensive income (loss) for the three months ended March 31, 2021						-	-	-
D5	Total comprehensive income (loss)	-	-	-	-	71,810	71,810	122	71,932
I1	Convertible corporate bond conversion	2,787	(996)	8,749			10,540		10,540
N1	Share-based payment transactions			1,547			1,547		1,547
Z1	Balance as of March 31, 2021	\$533,446	\$1,791	\$668,802	\$73,419	\$305,701	\$1,583,159	\$20,405	\$1,603,564
A1	Balance as of January 1, 2022	\$700,431	\$6,679	\$726,345	\$92,969	\$405,446	\$1,931,870	\$20,626	\$1,952,496
B5	Appropriation of earnings in 2021 Cash dividends					(182,242)	(182,242)		(182,242)
D1	Net income for the three months ended March 31, 2022					117,964	117,964	91	118,055
D3	Other comprehensive income (loss) for the three months ended March 31, 2022						-	-	-
D5	Total comprehensive income (loss)	-	-	-	-	117,964	117,964	91	118,055
N1	Share-based payment transactions	8,680	(6,679)	10,056			12,057		12,057
Z1	Balance as of March 31, 2022	\$709,111	\$-	\$736,401	\$92,969	\$341,168	\$1,879,649	\$20,717	\$1,900,366

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2022 and 2021
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	Q1 2022	Q1 2021	Code	Item	Q1 2022	Q1 2021
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for this period	\$149,205	\$90,213	B02700	Acquisition of property, plant and equipment	(89,131)	(71,701)
A20000	Adjustment items:			B02800	Disposal of property, plant and equipment	-	3,286
A20010	Adjustments:			B03700	(Increase) decrease in refundable deposits	(1,724)	(3,263)
A20100	Depreciation expense (including right-of-use assets)	139,697	115,870	B04500	Acquisition of intangible assets	(4,046)	(34)
A20200	Amortization expenses	967	849	BBBB	Net cash inflow (outflow) from investing activities	(94,901)	(71,712)
A20300	Expected credit impairment loss	774	-				
A20900	Interest expenses	9,468	8,455	CCCC	Cash flow from financing activities:		
A21200	Interest income	(166)	(168)		Increase (decrease) in guarantee deposits received	11,520	4,946
A21900	Cost of share-based payments	1,236	1,547	C03000		(91,910)	(78,280)
A22500	Loss on disposal of property, plant, and equipment	-	(101)	C04020	Repayment of principal on loan		
A29900	Other item - gain on lease modification	-	(2,610)	C04800	Employees exercising share option	10,821	-
A30000	Changes in assets/liabilities related to operating activities:				Net cash inflow (outflow) from financing activities	(69,569)	(73,334)
A31130	(Increase) decrease in notes receivable	(1,870)	1,974	EEEE	Net increase (decrease) in cash and cash equivalents for this period	(185,558)	(52,343)
A31150	(Increase) decrease in accounts receivable	9,694	(65,048)	E00100	Beginning balance of cash and cash equivalents	1,308,469	835,802
A31180	(Increase) decrease in other receivables	708	34,698	E00200	Ending balance of cash and cash equivalents	\$1,122,911	\$783,459
A31200	(Increase) decrease in inventory, net	(233,959)	(95,970)				
A31230	(Increase) decrease in prepayments	(17,322)	(7,703)				
A31240	(Increase) decrease in other current assets	4,390	(184)				
A32125	(Increase) decrease in contract liabilities	2,524	1,827				
A32130	Increase (decrease) in notes payables	(247,795)	(51,964)				
A32150	Increase (decrease) in accounts payables	205,940	83,105				
A32180	Increase (decrease) in other payables	(52,283)	(38,057)				
A32230	Increase (decrease) in other current liabilities	8,484	16,750				
A33000	Cash inflow (outflow) from operating activities	(20,308)	93,483				
A33100	Interest received	166	168				
A33300	Interest paid	(946)	(903)				
A33500	Income tax paid	-	(45)				
AAAA	Net cash inflow (outflow) from operating activities	(21,088)	92,703				

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Company Overview

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

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

2. Dates and Procedures of Approving Financial Statements

The consolidated financial statements for the three months ended March 31, 2022 and 2021 of the Company and its subsidiaries (hereinafter referred to as "the Group") have been approved and announced by the Board of Directors on May 12, 2022.

3. Applicability of New and Amended Accounting Principles and Explanations

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

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

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

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending resolution from the IASB
2	IFRS 17 - Insurance Contracts	January 1, 2023
3	Liabilities classified as current or non-current (amendment to IAS 1)	January 1, 2023
4	Disclosure Initiative - Accounting Policies (amendment to IAS 1)	January 1, 2023
5	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023
6	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendment to IAS 12)	January 1, 2023

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

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

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

2) IFRS 17 - Insurance Contracts

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

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

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

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

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

4) Disclosure Initiative - Accounting Policies (amendment to IAS 1)

The objective of the amendment was to improve accounting policy disclosures and help stakeholders provide more relevant information for investors and primary users of financial statements.

5) Definition of Accounting Estimates (Amendment to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) to help entities distinguish changes in accounting estimates from changes in accounting policies.

6) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
(amendment to IAS 12)

This amendment narrows down the scope of exemption on deferred tax recognition in Paragraphs 15 and 24 in IAS 12, making said exemption inapplicable to the same amount of taxable and deductible temporary difference that arises during initial recognition.

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

4. Explanations of Major Accounting Policies

a. Declaration of compliance

The Group's consolidated financial reports for the period of January 1 to March 31, 2022 and 2021 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and "IAS 34 - Interim Financial Reporting" approved and issued by the FSC.

This consolidated financial statements adopted the same accounting policies, except for the following descriptions in 4.4 ~ 4.5., as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021 for details.

b. Basis of preparations

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

c. Overview of consolidation

The consolidated financial statements adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 4.3 of the consolidated financial statements for the year ended December 31, 2021 for details.

The consolidated entities are listed as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%)			
			2022.03.31	2021.12.31	2021.03.31	Explanation
The Company	Ivy Biotechnology Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Bai-Lin Logistics Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Great Tree Pets Co., Ltd.	Wholesale and retail business	100% (Note)	100% (Note)	-	None
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Real estate sales and lease	60%	60%	60%	None

Note: Upon resolution from the Board of Directors on February 4, 2021, the Company has invested in and set up a 100% owned subsidiary, Great Tree Pets Co., Ltd. The

aforesaid subsidiary has completed company registration on April 14, 2021.

d. Retirement pension plan

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

e. Income tax

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

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

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

This consolidated financial statements adopted the same primary sources of uncertainties in major accounting judgments, estimates, and assumptions as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021 for details.

6. Explanations of Significant Accounting Items

a. Cash and cash equivalents

	2022.03.31	2021.12.31	2021.03.31
Cash on hand and petty cash	\$9,474	\$9,046	\$8,151
Checks and demand deposit	998,887	1,184,873	660,758
Fixed deposit	114,550	114,550	114,550
Total	<u>\$1,122,911</u>	<u>\$1,308,469</u>	<u>\$783,459</u>

b. Financial assets measured at amortized cost

	2022.03.31	2021.12.31	2021.03.31
Restrictive fixed deposit	\$24,000	\$24,000	\$24,000
Fixed deposit	3,000	3,000	3,000
Less: allowance for loss	-	-	-
Total	<u>\$27,000</u>	<u>\$27,000</u>	<u>\$27,000</u>
Current	<u>\$24,000</u>	<u>\$24,000</u>	<u>\$24,000</u>
Non-current	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$3,000</u>

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

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

c. Notes receivable, net

	2022.03.31	2021.12.31	2021.03.31
Notes receivable - from operating activities	\$4,014	\$2,144	\$2,543
Less: allowance for loss	-	-	-
Total	<u>\$4,014</u>	<u>\$2,144</u>	<u>\$2,543</u>

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

The Group assesses information related to impairment and allowance for impairment using regulations from IFRS 9. Please refer to Note 6.16 for details. Please refer to Note 12 for information on credit risk.

d. Net accounts receivable

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

	2022.03.31	2021.12.31	2021.03.31
Total accounts receivable	\$459,651	\$469,345	\$376,863
Less: allowance for loss	(1,391)	(617)	(701)
Net balance	<u>\$458,260</u>	<u>\$468,728</u>	<u>\$376,162</u>

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

3) The Group's credit period to customers is 60-120 days. The total carrying amounts were NT\$459,651 thousand, NT\$469,345 thousand and NT\$376,863 thousand as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively. Please refer to Note 6.16 for information related to allowance for impairment loss for the three months ended March 31, 2022 and 2021. Please refer to Note 12 for information on credit risk.

e. Inventory

1) Net inventory is as follows:

	2022.03.31	2021.12.31	2021.03.31
Work-in-progress	\$99	\$66	\$1,506
Commodity	2,073,328	1,839,402	1,556,709
Total	<u>\$2,073,427</u>	<u>\$1,839,468</u>	<u>\$1,588,215</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

- 2) The Group recognized cost of inventories NT\$2,352,538 thousand and NT\$1,838,211 thousand for the three months ended March 31, 2022 and 2021, respectively as expenses. These expenses included the following:

Item	Q1 2022	Q1 2021
Allowance for inventory valuation and obsolescence loss	\$125	\$9,921
Loss (profit) on physical inventory	2,621	(203)
Inventory scrap loss	2,327	1,367
Total	\$5,073	\$11,085

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

f. Property, plant and equipment

	Buildings and construction	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:							
2022.01.01	\$48,583	\$14,338	\$412,011	\$554,115	\$316,722	\$-	\$1,345,769
Acquisition	-	-	37,231	30,141	8,402	-	75,774
Disposal	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
2022.03.31	\$48,583	\$14,338	\$449,242	\$584,256	\$325,124	\$-	\$1,421,543
2021.01.01	\$48,583	\$14,338	\$344,607	\$463,629	\$223,882	\$-	\$1,095,039
Acquisition	-	-	7,720	34,368	30,597	-	72,685
Disposal	-	-	(840)	(124)	(2,331)	-	(3,295)
Transfer	-	-	-	-	-	-	-
2021.03.31	\$48,583	\$14,338	\$351,487	\$497,873	\$252,148	\$-	\$1,164,429
Depreciation and impairment:							
2022.01.01	\$3,826	\$13,582	\$237,053	\$234,835	\$106,641	\$-	\$595,937
Depreciation	814	131	14,848	19,518	14,385	-	49,696
Disposal	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-
2022.03.31	\$4,640	\$13,713	\$251,901	\$254,353	\$121,026	\$-	\$645,633
2021.01.01	\$790	\$12,931	\$186,504	\$169,634	\$55,392	\$-	\$425,251
Depreciation	790	184	12,138	15,194	11,323	-	39,629
Disposal	-	-	(28)	(4)	(78)	-	(110)
Transfer	-	-	-	-	-	-	-
2021.03.31	\$1,580	\$13,115	\$198,614	\$184,824	\$66,637	\$-	\$464,770
Net carrying amount:							
2022.03.31	\$43,943	\$625	\$197,341	\$329,903	\$204,098	\$-	\$775,910
2021.12.31	\$44,757	\$756	\$174,958	\$319,280	\$210,081	\$-	\$749,832
2021.03.31	\$47,003	\$1,223	\$152,873	\$313,049	\$185,511	\$-	\$699,659

The aforementioned property, plant and equipment have no conditions of

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

endorsement/guarantee.

g. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2022.01.01	\$14,145	\$14,286	\$28,431
Acquisition - separately acquired	4,046	-	4,046
Derecognized at the end of useful life	-	-	-
2022.03.31	<u>\$18,191</u>	<u>\$14,286</u>	<u>\$32,477</u>
2021.01.01	\$8,110	\$14,286	\$22,396
Acquisition - separately acquired	34	-	34
Derecognized at the end of useful life	-	-	-
2021.03.31	<u>\$8,144</u>	<u>\$14,286</u>	<u>\$22,430</u>
Amortization and impairment:			
2022.01.01	\$7,901	\$-	\$7,901
Amortization	967	-	967
Impairment loss	-	-	-
Derecognized at the end of useful life	-	-	-
2022.03.31	<u>\$8,868</u>	<u>\$-</u>	<u>\$8,868</u>
2021.01.01	\$4,378	\$-	\$4,378
Amortization	849	-	849
Impairment loss	-	-	-
Derecognized at the end of useful life	-	-	-
2021.03.31	<u>\$5,227</u>	<u>\$-</u>	<u>\$5,227</u>
Net carrying amount:			
2022.03.31	<u>\$9,323</u>	<u>\$14,286</u>	<u>\$23,609</u>
2021.12.31	<u>\$6,244</u>	<u>\$14,286</u>	<u>\$20,530</u>
2021.03.31	<u>\$2,917</u>	<u>\$14,286</u>	<u>\$17,203</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
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Amortization for recognition of intangible assets is as follows:

Item	Q1 2022	Q1 2021
Operating expenses	\$967	\$849

h. Other non-current assets

	2022.03.31	2021.12.31	2021.03.31
Prepaid equipment	\$4,366	\$3,060	\$105
Refundable deposits	95,681	93,957	79,991
Total	\$100,047	\$97,017	\$80,096

i. Short-term loans

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

	Range of interest rates (%)	2022.03.31	2021.12.31	2021.03.31
Unsecured bank loan	0.83%~1.18%	\$370,000	\$370,000	\$370,000

2) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group's unused short-term loan credits are NT\$101,937 thousand, NT\$92,960 thousand and NT\$101,083 thousand, respectively.

j. Other payables

	2022.03.31	2021.12.31	2021.03.31
Expenses payable	\$217,289	\$269,572	\$173,495
Equipment payable	13,562	25,613	18,067
Dividends payable	182,242	-	-
Net defined benefit liability - current	37	37	37
Total	\$413,130	\$295,222	\$191,599

k. Bonds payable

1) Details of bonds payable are as follows:

	2022.03.31	2021.12.31	2021.03.31
Elements of liability:			
Nominal amount of domestic convertible bond payable	\$-	\$-	\$30,300
Less: discount on domestic convertible bond payable	-	-	(94)
Sum	-	-	30,206
Less: portion maturing within 12 months	-	-	(30,206)
Net balance	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
Embedded derivative financial instruments - redemption rights	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
Equity element - conversion rights	<u>\$-</u>	<u>\$-</u>	<u>\$1,010</u>

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

2) The Company has issued the first batch of unsecured convertible bonds on June 12, 2018 with the following issuance terms:

- (A) Total NT\$300,000 thousand
issuance:
- (B) Date of 2018.06.12
issuance:
- (C) Issued price: Issuance at par
- (D) Coupon rate: 0%
- (E) Duration: June 12, 2018-June 12, 2021
- (F) Repayment at Unless the bondholders convert into ordinary shares of the
maturity: 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 a securities firm in accordance with Article 18 of these Procedures, the Company will repay the converted bonds held by bondholders in cash in accordance with the denomination of the bonds when the Company's conversion of bonds expires.
- (G) Conversion period: Starting from the day after the 3-month period of issuance of this convertible bond (September 13, 2018) to the date due (June 12, 2021), except for (I) stock transfer is halted pursuant to applicable laws; (II) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for a capital increase, until the base date for right distribution, (III) capital reduction base-date to one day before the capital reduction in issuance of shares, the creditor may at any time request the Company to convert the convertible bond into ordinary shares of the Company in accordance with the provisions of the present Procedure.
- (H) Conversion price and adjustments: The price of conversion was set at NT\$90.8 per share during issuance. In the event of an adjustment of the conversion price of the Company's ordinary share conversion rights or stock options in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance.
- Due to capital increase in 2018, the Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, as of July 19, 2018, the conversion price was adjusted from NT\$90.8 to NT\$88.9.
- Due to capital increase and surplus transfer in 2018, the Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, as of September 12, 2018, the conversion price was adjusted from NT\$88.9 to NT\$79.8.
- Due to the Company's ratio of cash dividends to ordinary shares issued in 2019 having exceeded 1.5%, the conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds

issuance and conversion procedures; therefore, from July 30, 2019, the conversion price was adjusted from NT\$79.8 to NT\$78.6.

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

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

(I) The Company's redemption rights:

(I) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to forty days before the expiration of the issuance period (May 3, 2021). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and for investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash in five business days after the bond recovery base date.

(II) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to forty days before the expiration of the issuance period (May 3, 2021). If the outstanding balance of the convertible bond is

less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash in five business days after the bond recovery base date.

(III) If the creditor does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash on the maturity date at nominal value.

- (J) Puttable rights of bondholders: The base date for selling the convertible bonds back in advance is the two-year issuance date (June 12, 2020) of the convertible bonds. Forty days before the base date (May 3, 2020) of put option, the Company may send a "puttable right notification" to the bondholder by registered mail. (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "puttable option notification," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash in five business days after the bond recovery base date. 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) For the year ended December 31, 2020, the declared conversion amount of the Group's first batch of unsecured convertible bonds has reached NT\$147,800 thousand, and 2,290 thousand shares of ordinary shares have been converted. The net amount due to the conversion (including par value of the convertible bonds and discount) higher than the nominal value of the shares has been NT\$122,487 thousand, which has been recognized as an addition item to the capital surplus. For the year ended December 31, 2021, the declared conversion amount has reached NT\$38,778 thousand, and 657 thousand ordinary shares have been converted. The net amount due to the conversion (including par value of the convertible bonds and discount) higher than the nominal value of the shares has been NT\$32,207 thousand, which has been recognized as an addition item to the capital surplus.
- 4) The Company's first batch of unsecured domestic convertible bonds has matured as of June 12, 2021. Since repayment of NT\$2,000 thousand has been made at maturity and has been written off based on the conversion procedures, capital surplus - subscription rights NT\$67 thousand has been recognized as capital surplus - forfeited subscription rights.

l. Retirement pension plan

Defined allocation plan

The Group recognized defined allocation expense of NT\$10,554 thousand and NT\$9,458 for the three months ended March 31, 2022 and 2021, respectively.

Defined benefit plan

The Group recognized defined benefit plan expense of both NT\$56 thousand for the three months ended March 31, 2022 and 2021.

m. Equity

1) Ordinary Shares

As of March 31, 2022, December 31, 2021 and March 31, 2021, the authorized share capital of the Company was all NT\$1,500,000 thousand; in addition, the issued share capital was NT\$709,111 thousand, NT\$700,431 thousand, and NT\$533,446 thousand, respectively, with 70,911 thousand shares, 70,043 thousand shares, and 53,344 thousand shares, respectively, issued at par value of NT\$10. Each share has one voting right and the right to receive dividends.

On July 2, 2021, the Company's Annual Shareholders' Meeting has approved the change of the authorized share capital amounted to NT\$1,500,000 thousand. On July 23, 2021, the change registration was completed, and the change in the authorized share capital was approved and recorded by the competent authority.

For the year ended December 31, 2021, the first batch of unsecured convertible bonds issued by the Company exercised the conversion rights amounted to NT\$38,778 thousand, for which 657 thousand ordinary shares were converted, and the paid-in capital after the increase was NT\$540,017 thousand with par value of NT\$10 for 54,002 thousand shares.

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

In addition, for the year ended December 31, 2021, the employee stock options issued by the Company exercised the rights of NT\$36,138 thousand, for which 668 thousand ordinary shares were converted, and the paid-in capital after the increase was NT\$707,110 thousand with part value of NT\$10 for 70,711 thousand shares. Base date of increase is still pending for the Board of Directors' approval as of December 31, 2021, so the capital is recognized as a prepaid capital. For the three month ended March 31, 2022, it applied the exercise amounted to NT\$10,821 thousand, for which 200 thousand ordinary shares were converted. Upon approval from the Board of Directors on February 25, 2022, March 10, 2022 was set to be the base date of the increase. The paid-in capital after the increase was NT\$709,111 thousand with par value of NT\$10 for 70,911 thousand shares.

2) Capital surplus

	2022.03.31	2021.12.31	2021.03.31
Share premium of ordinary shares	\$723,060	\$714,240	\$660,380
Employee stock options	10,220	9,148	4,765
Stock options	-	-	1,010
Expired stock options	3,121	2,957	2,647
Total	\$736,401	\$726,345	\$668,802

According to the law, the capital reserve shall not be used except to make up for the Company deficit. When the Company has no deficit, the overage of the shares issued by the par value and the capital reserve generated by the proceeds of the donation can be used to charge up the capital up to a certain percentage of the paid-up capital each year. The aforesaid capital surplus may also be distributed in cash in proportion to the original share of the shareholders. In addition, capital surplus arising from any long-term equity investment shall not be used for any purpose.

3) Appropriation of net income and dividend policy

a) Appropriation of net income

Pursuant to the Company's Articles of Incorporation, if 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.

Additionally, pursuant to resolution from the Shareholders' Meeting convened on July 2, 2021 to amend the Articles of Incorporation, if a surplus is available after closing the accounts, it shall be first used to pay taxes, make up past deficits, then 10% of which shall be appropriated as legal capital reserve. However, the Company is exempted from such appropriation in case the legal capital reserve has reached

the Company's total capital, and the Company shall appropriate special capital reserve according to applicable laws or regulations from the competent authority. The remainder of which and any accumulated and unappropriated net income from previous years shall be appropriated as net income available for appropriation. The Board of Directors shall propose the appropriation of net income and submit for a resolution at the Shareholders' Meeting, then distribute bonus to shareholders accordingly.

Where the aforementioned dividends and bonuses are distributed entirely or partially in cash, the Board of Directors shall be authorized to determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors and report to the Shareholders' Meeting, and the submission for a resolution at the Shareholders' Meeting in Paragraph 1 is not applicable.

b) Dividend policy

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

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

c) Legal capital reserve

Pursuant to the Company Act, legal capital reserve shall be appropriated until the total sum of which has reached the paid-in capital. Legal capital reserve shall be used toward making up for the deficit. When the Company does not have past deficits, the Company may issue new shares or distribute cash with the portion of legal capital reserve that exceeds 25% of the paid-in capital.

d) Special capital reserve

During appropriation of distributable net income, the Company appropriated the difference between the balance allocated to special capital reserve during first-time adoption of IFRS and net deductions in other equity items to the special capital reserve in compliance with regulations. Subsequently, if the net balance of other equity deduction has reversed, the reversal shall be applicable to special capital reserve to distribute earnings for the reversed part of other equity net deductions.

Pursuant to the FSC Explanation Order No. 1090150022 issued on March 31, 2021, upon the first-time adoption of IFRS, on the transition date, the Company's partial retained earnings transferred due to the exemption of IFRS 1 "First-time Adoption of IFRS" from those accounted under unrealized revaluation increment and cumulative adjustment gains shall be recognized as a special reserve for the same amount. Where the Company's relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

The Company has no conditions where special capital reserve appropriation amount has occurred due to first-time adoption of IFRS.

- e) During the Company's Board of Directors' Meeting on February 25, 2022, and Annual Shareholders' Meeting on July 2, 2021, the appropriations of earnings for 2021 and 2020 have been separately proposed and approved with the following details:

	<u>Appropriation of earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal capital reserve	\$40,499	\$19,550		
Cash dividends for ordinary shares (Note)	182,242	53,471	\$2.57	\$1.00
Stock dividends for ordinary shares	182,241	160,414	2.57	2.97
Total	<u>\$404,982</u>	<u>\$233,435</u>		

Note: On February 25, 2022, the Company's Board of Directors was authorized by

the Articles of Incorporation to specially approve the cash dividends for ordinary shares for the year ended December 31, 2021.

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

f) Non-controlling interests

	Q1 2022	Q1 2021
Beginning balance	\$20,626	\$20,283
Increase in the period	-	-
Net income (loss) attributable to non-controlling interests for the period	91	122
Ending balance	\$20,717	\$20,405

n. Share-based payment plan

Company employees can receive share-based payment as a part of the employee benefits plan. Employees provide service as the consideration for receiving equity instruments, and such transactions will be treated as equity-settled share-based payment transactions.

Employee share-based payment plan

(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 subscribers may exercise the stock options for a certain period and proportion two years after the employee stock option certificate has been granted. The duration of this stock option certificate is six years.

Information on the aforementioned share-based payment is as follows:

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT\$)
2019.12.01	1,879	\$54.10
2020.10.27	2,017	\$66.50

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

plan granted:

	2019	2020
Expected fluctuation rate (%)	16.56%-24.87%	13.86%-45.03%
Risk-free interest rate (RFR) (%)	0.552%-0.580%	0.158%-0.203%
Expected year of 100% stock subscription (year)	6	6
Weighted-average stock price (NT\$)	82.60	86.20
Pricing model used	Black-Scholes	Black-Scholes

The expected duration of the option is based on historical data and current expectations and therefore may not necessarily be consistent with actual implementation. The expected volatility is the historical volatility of the period in which the hypothesis is similar to the duration of the stock options, which represents the future trend, but may not necessarily be consistent with future actual results.

- 2) Information on the employee stock option plan issued for the three months ended March 31, 2022 and 2021.

	Q1 2022		Q1 2021	
	Number of outstanding stock options (unit)	Weighted-average execution price (NT\$)	Number of outstanding stock options (unit)	Weighted-average execution price (NT\$)
Outstanding stock options on January 1	3,103	\$60.52	3,896	\$84.46
Stock subscriptions for the period	(200)	54.10	-	-
Stock options expired for the period	(57)	-	-	-
Outstanding stock options on March 31	<u>2,846</u>	<u>\$60.52</u>	<u>3,896</u>	<u>\$84.46</u>
Executable stock options on March 31	1,166		-	
Weighted-average fair value of the stock options granted for the period		\$-		\$-

- 3) Below is the aforementioned share-based payment plan outstanding as of March 31, 2022, December 31, 2021 and March 31, 2021:

<u>2022.03.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$54.10	3.67 years
Granted on October 27, 2020	\$66.50	4.57 years

<u>2021.12.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$54.10	3.92 years
Granted on October 27, 2020	\$66.50	4.82 years

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

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

	<u>Q1 2022</u>	<u>Q1 2021</u>
Recognized expenses due to share-based payment transactions	\$1,236	\$1,547
(All are equity delivery share-based payment)		

o. Operating revenue

	<u>Q1 2022</u>	<u>Q1 2021</u>
Revenue from customer contracts		
Revenue from sale of goods	\$3,182,750	\$2,470,797
Revenue from provision of service	9,440	8,904
Others	1,636	2,178
Total	<u>\$3,193,826</u>	<u>\$2,481,879</u>

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

1) Breakdown of revenue

	Q1 2022	Q1 2021
	Single department	Single department
Sales of goods	\$3,182,750	\$2,470,797
Service revenue	9,440	8,904
Others	1,636	2,178
Total	\$3,193,826	\$2,481,879

Timing of revenue recognition:

At a fixed point in time	\$3,190,650	\$2,478,182
Over a period of time	3,176	3,697
Total	\$3,193,826	\$2,481,879

2) Contract balance

a) Contract liability - current

	2022.03.31	2021.12.31	2021.03.31	2021.01.01
Sales of goods	\$648	\$627	\$508	\$502
Customer loyalty program	13,778	11,275	9,423	7,602
Total	\$14,426	\$11,902	\$9,931	\$8,104

Explanations of the changes in the balance of contract liabilities for the three month ended March 31, 2022 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue for the period	\$(9)	\$(549)
Increase in advance payment for the period	30	3,052

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

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

p. Expected credit loss

	Q1 2022	Q1 2021
Operating expenses - expected credit loss Receivables	\$774	\$-

Please see Note 12 for information on credit risk.

- 1) Historical records of credit impairment on the Group's receivables (including notes receivable and accounts receivable) indicate that diverse types of impairment loss is not found between different groups of customers. Therefore, allowance for loss is assessed using the same group and relevant information as of March 31, 2022, December 31, 2021 and March 31, 2021 can be found in the following:

March 31, 2022

	Not overdue	Days overdue		
	(Note)	31-180 days	More than 181 days	Total
Total carrying amount	\$462,139	\$506	\$1,020	\$463,665
Rate of loss	0.02%	52.67%	100%	
Expected lifetime credit loss	(105)	(266)	(1,020)	(1,391)
Carrying Amount	\$462,034	\$240	\$-	\$462,274

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December 31, 2021

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$471,349	\$89	\$51	\$471,489
Rate of loss	0.10%	100%	100%	
Expected lifetime credit loss	(477)	(89)	(51)	(617)
Carrying Amount	<u>\$470,872</u>	<u>\$-</u>	<u>\$-</u>	<u>\$470,872</u>

March 31, 2021

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

of the Group's notes receivable is past due.

- 2) Information on the changes in the allowances for notes receivable and accounts receivable of the Group for the three months ended March 31, 2022 and 2021 is as:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$617
Increase (decrease) in the period	-	774
2022.03.31	<u>\$-</u>	<u>\$1,391</u>
2021.01.01	\$-	\$701
Increase (decrease) in the period	-	-
2021.03.31	<u>\$-</u>	<u>\$701</u>

q. Lease

1) The Group is the lessee

The Group leases real property (building and construction), and the term of lease for each contract is between 3 years to 20 years. Some of the contracts have stipulated that without the lessor's consent, a lessee may not lease out, sublease, dispose of right, or grant all or part of the leased object's use to others using other methods, or to give the right of lease to others.

The following is a description of the leases' impacts on the Group's financial position, financial performance, and cash flow:

a) Amount recognized in the balance sheet

i. Right-of-use assets

Carrying amount of right-of-use assets

	Building and construction
Cost:	
2022.01.01	\$4,144,333
Acquisition	217,748
Disposal	-
2022.03.31	<u>\$4,362,081</u>
2021.01.01	\$3,557,999
Acquisition	169,083
Disposal	(107,279)
2021.03.31	<u>\$3,619,803</u>
Depreciation and impairment:	
2022.01.01	\$1,375,532
Depreciation	90,001
Disposal	-
2022.03.31	<u>\$1,465,533</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
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	Building and construction
2021.01.01	\$1,070,461
Depreciation	76,241
Disposal	(19,626)
2021.03.31	<u>\$1,127,076</u>
Carrying amount:	
2022.03.31	<u>\$2,896,548</u>
2021.12.31	<u>\$2,768,801</u>
2021.03.31	<u>\$2,492,727</u>

ii. Lease liabilities

	2022.03.31	2021.12.31	2021.03.31
Lease liabilities	<u>\$3,005,535</u>	<u>\$2,871,175</u>	<u>\$2,577,451</u>
Current	<u>\$347,208</u>	<u>\$309,123</u>	<u>\$290,309</u>
Non-current	<u>\$2,658,327</u>	<u>\$2,562,052</u>	<u>\$2,287,142</u>

Please refer to Note 6.19(4) Financing Costs for the Group's interest expense for lease liabilities for the three months ended March 31, 2022 and 2021; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of March 31, 2022, December 31, 2021 and March 31, 2021.

b) Revenues and expenses related to the lessee and lease activities

	Q1 2022	Q1 2021
Short-term lease expense	\$(13,445)	\$(4,272)
Revenue from sublease of right-of-use assets	8,335	7,055

As of March 31, 2022 and 2021, the Group's committed short-term lease composition is not similar to the category of the aforementioned lease target related to short-term lease expense, and related lease commitment has amounted to NT\$0.

c) Cash outflow related to the lessee and lease activities

	Q1 2022	Q1 2021
Total cash flows on lease	\$105,355	\$82,552

2) The Group is the lessor

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

	Q1 2022	Q1 2021
Lease revenue recognized from operating lease		
Fixed lease payment	\$8,335	\$7,055

In signing operating lease contracts, the Group has the following total amount of undiscounted lease payment as of March 31, 2022, December 31, 2021 and March 31, 2021 and for the remaining years:

	2022.03.31	2021.12.31	2021.03.31
Less than one year	\$30,366	\$30,980	\$27,341
More than 1 but no more than 2 years	23,374	25,388	25,021
More than 2 but no more than 3 years	19,901	20,108	17,951
More than 3 but no more than 4 years	18,402	19,789	14,479
More than 4 but no more than 5 years	15,329	17,040	14,350
More than 5 years	88,000	88,079	36,478
Total	\$195,372	\$201,384	\$135,620

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

Function Characteristic	Q1 2022			Q1 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$205,724	\$205,724	\$-	\$170,211	\$170,211
Labor and health insurance expenses	-	22,576	22,576	-	18,912	18,912
Pension expenses	-	10,610	10,610	-	9,514	9,514
Other employee benefit expenses	-	16,136	16,136	-	12,507	12,507
Depreciation expenses	-	139,697	139,697	-	115,870	115,870
Amortization expenses	-	967	967	-	849	849

The Company's Articles of Incorporation provide that if there is profit in the year, 3% to 10% of profit shall be allocated for employee compensation, and no more than 3 percent shall be allocated for remunerations of the Directors. But when the accumulated loss is present, the Company shall first retain the profit to make up for deficits. The aforementioned employee compensation appropriated in shares or dividends shall be approved by a Board of Directors meeting attended by two-thirds or more of all Directors, and by a majority vote of all attending Directors, and reported to the Shareholders' Meeting. Please see the Market Observation Post System (MOPS) from the Taiwan Stock Exchange (TWSE) for information on employee compensation and remunerations of the Directors, as approved by the Board of Directors.

The Company estimated the pay to employees and Directors by 3% and 0.89% respectively based on profitability conditions. Employee compensation and remunerations of the Directors recognized for the three month ended March 31, 2022 were NT\$4,546 thousand and NT\$1,349 thousand, respectively. Employee compensation and remunerations of the Directors recognized for the three month ended March 31, 2021 were NT\$2,674 thousand and NT\$793 thousand, respectively. The aforementioned amounts were recorded under compensation expenses.

On February 25, 2022, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors for 2021 of NT\$15,357 thousand and NT\$4,556 thousand respectively. No material difference is found between the actual distributions and the expenses recognized on the 2021 financial statements.

The actual distribution of employee compensation and remunerations of the Directors for the year ended December 31, 2020 had no material difference from the expenses recognized in financial statements.

s. Non-operating income and expenses

1) Interest income

	Q1 2022	Q1 2021
Financial assets measured at amortized cost	\$166	\$168

2) Other income

	Q1 2022	Q1 2021
Rental revenue	\$8,335	\$7,055
Other income - others	7,149	10,789
Total	\$15,484	\$17,844

3) Other gains and losses

	Q1 2022	Q1 2021
Gain from foreign exchange, net	\$3,797	\$237
Gains on lease modifications	-	2,610
Gain on disposal of property, plant and equipment	-	101
Other expenditures - other	-	(444)
Total	\$3,797	\$2,504

4) Financing costs

	Q1 2022	Q1 2021
Interest from bank loans	\$946	\$903
Interest expense from corporate bonds	-	163
Interest from lease liabilities	8,522	7,389
Total	\$9,468	\$8,455

t. Income tax

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

Income tax recognized in profit or loss

	Q1 2022	Q1 2021
Current tax expenses (gains):		
Current tax payable	\$32,048	\$21,894
Deferred tax expenses (gains):		
Deferred tax expenses related to initial recognition of temporary difference and its reversal	(898)	(3,613)
Income tax expenses	\$31,150	\$18,281

2) Filing and review of income tax

As of March 31, 2022, the income tax returns of the Company and its subsidiaries were assessed and approved as follows:

	Filing and review of income tax
The Company	Reviewed to 2020
Subsidiary - Ivy Biotechnology Co., Ltd.	Reviewed to 2020
Subsidiary - Bai-Lin Logistics Co., Ltd.	Reviewed to 2020
Subsidiary - Da Yu Property Management Co., Ltd.	Reviewed to 2020

u. Earnings per Share

The calculation of the basic earnings per share (Basic EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the parent company for the current year by the weighted-average number of ordinary shares outstanding in the current year.

Diluted earnings per share (Diluted EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the Company (after adjusting for the dilution effect) by the weighted-average number of ordinary shares outstanding in the current year plus all weighted-average number of ordinary shares to be issued when the potential ordinary shares with dilutive effect are converted into ordinary shares.

1) Basic EPS

	Q1 2022	Q1 2021
Net profit attributable to holders of ordinary shares of the parent company	\$117,964	\$71,810
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	70,760	69,366
Basic ESP (NT\$)	\$1.67	\$1.04

2) Diluted EPS

	Q1 2022	Q1 2021
Net profit attributable to holders of ordinary shares of the parent company	\$117,964	\$71,810
Interest from convertible bonds	-	137
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	\$117,964	\$71,947
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	70,760	69,366
Dilutive effect:		

Employee stock options (in 1,000 shares)	2,341	1,305
Employee bonus - shares (in 1,000 shares)	52	77
Convertible bonds (in 1,000 shares)	-	512
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	73,153	71,260
Diluted EPS (NT\$)	\$1.61	\$1.01

- 3) There were no significant changes to other transactions in the circulation of outstanding ordinary shares or potential issuance of ordinary shares after the reporting period until the financial statements have been approved and announced.

7. Related Party Transactions

Bonuses for the Group's key managerial officers

	2022.03.31	2021.03.31
Short-term employee benefits	\$4,662	\$4,230
Retirement benefits	172	167
Share-based payment	196	226
Total	\$5,030	\$4,623

8. Assets Pledged

The Company has pledged the following assets as collateral:

Carrying Amount				Content of the secured liabilities
Item	2022.03.31	2021.12.31	2021.03.31	
Financial assets measured at amortized cost - current	\$24,000	\$24,000	\$24,000	Credit card guarantee
Financial assets measured at amortized cost - non-current	3,000	3,000	3,000	Purchase contract guarantee
Total	\$27,000	\$27,000	\$27,000	

9. Significant Contingent Liabilities and Unrecognized Contracts

N/A.

10. Contingent Disaster Loss

N/A.

11. Significant Post-reporting Period Matters

On April 6, 2022, the Group's Board of Directors approved that the ordinary shares or domestic unsecured convertible corporate bonds are processed by private placement within the limit of NT\$2 million ordinary shares in order to enrich the working capital, to achieve the benefits of expanding channels, to increase the market share and to strengthen the financial structure.

12. Others

a. Categories of financial instruments

Financial assets

	2022.03.31	2021.12.31	2021.03.31
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$1,122,911	\$1,308,469	\$783,459
Financial assets measured at amortized cost	27,000	27,000	27,000
Notes receivable, net	4,014	2,144	2,543
Net accounts receivable	458,260	468,728	376,162
Other receivables	43,704	44,412	36,327
Total	<u>\$1,655,889</u>	<u>\$1,850,753</u>	<u>\$1,225,491</u>

Financial liabilities

	2022.03.31	2021.12.31	2021.03.31
Financial liabilities at amortized cost:			
Short-term loans	\$370,000	\$370,000	\$370,000
Accounts payable	2,093,710	2,017,657	1,392,736
Bonds payable (including those maturing within 12 months)	-	-	30,206
Lease liabilities	3,005,535	2,871,175	2,577,451
Total	<u>\$5,469,245</u>	<u>\$5,258,832</u>	<u>\$4,370,393</u>

b. Objective and policy of financial risk management

The objective of the Group's financial risk management is to manage the market risk, credit risk, and liquidity risk related to operating activities. The Group conducts the identification, valuation, and management of the aforementioned risks based on the Group's policy and risk appetite.

The Group has set up appropriate policies, procedures, and internal control in regards to the aforementioned financial risk management based on relevant standards. Material financing activities need to be reviewed by the Board of Directors in regards to relevant standards and internal control system. During implementations of financial management activities, the Group shall strictly abide by the regulations for financial risk management that have been set up.

c. Market risk

The Group's market risk is the risk of changes in fair value or cash flow from financial instruments due to market price changes. Market risk mostly includes exchange rate risk, interest rate risk, and other pricing risks (e.g. equity instruments).

In practice, very few risk variables are single-occurring, and the change in each risk variable is usually correlated. Nevertheless, the sensitivity analysis on the following risks does not take the interactions between various risk variables into consideration.

Exchange rate risk

The Group's operating activities are mostly transactions using the functional currency;

therefore, exchange rate risk should not arise.

Interest rate risk

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

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases/decreases by 0.01%, the Group's income for the three months ended March 31, 2022 and 2021

will increase/decrease by NT\$280 thousand and by NT\$196 thousand, respectively.

Equity price risk

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group does not hold equity securities measured by fair value. Therefore, equity price risk does not exist.

d. Credit risk management

Credit risk refers to the risk that the counterparty is unable to fulfill contractual obligations and leads to financial loss. The Group's credit risk mostly comes from operating activities (mostly from accounts receivable and notes) and financing activities (mostly bank deposits and various financial instruments).

Each business unit of the Group follows credit risk policy, procedure, and controls in managing credit risks. The credit risk valuation of all trading counterparties comprehensively measures factors including the counterparties' financial status, credit rating, past transaction experiences, current economic environment, and the Group's internal valuations. The Group also adopts certain credit enhancement tools (e.g. prepaid sales and insurance) on a timely basis to reduce the credit risk from counterparties.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group has not had concentration of credit risk on individual customers, so credit risk should be moderate.

The Group's finance department manages credit risk by managing bank deposits and other financial instruments in accordance with the Group policy. As the Group's transaction counterparties are determined by internal control procedures and are banks with good credit and investment-grade financial institutions, the Group is not subjected to material credit risk.

The Group has adopted IFRS 9 in the valuation of expected credit loss. Receivables are measured as allowances for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk, and is evaluated on each balance sheet date to determine whether there has been significant increase in credit risk since initial recognition to determine the method of allowance for loss and its rate of loss.

Additionally, when evaluating financial assets that cannot be reasonably recovered, the Group will write-off the assets (for instance, if the issuer or the debtor experiences material financial difficulty or has become bankrupt).

e. Liquidity risk management

The Group maintains financial flexibility through contracts including cash and cash equivalents, convertible bonds, and leases. The following table summarizes the maturity of the payments contained in the contracts of the Group's financial liabilities. It is compiled based on the date on which the earliest possible repayment is required using its undiscounted cash flow. The amounts listed also include contracted interest. For interest cash flow paid using variable rate, its undiscounted interest is obtained through the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
2022.03.31							
Short-term loans	\$370,784	\$-	\$-	\$-	\$-	\$-	\$370,784
Accounts payable	2,093,710	-	-	-	-	-	2,093,710
Lease liabilities	366,829	354,747	342,272	327,730	305,801	1,260,285	2,957,664

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	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
2021.12.31							
Short-term loans	\$370,457	\$-	\$-	\$-	\$-	\$-	\$370,457
Accounts payable	2,017,657	-	-	-	-	-	2,017,657
Lease liabilities	365,160	358,775	343,508	329,362	311,199	1,408,694	3,116,698
2021.03.31							
Short-term loans	\$370,671	\$-	\$-	\$-	\$-	\$-	\$370,671
Accounts payable	1,392,736	-	-	-	-	-	1,392,736
Bonds payable	30,604	-	-	-	-	-	30,604
Lease liabilities	322,913	318,206	307,119	293,204	277,982	1,212,647	2,732,071

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities for the three month ended March 31, 2022:

	Short-term loans	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
2022.01.01	\$370,000	\$56,005	\$2,871,175	\$3,297,180
Cash flow	-	11,520	(91,910)	(80,390)
Non-cash changes				
Changes in scope of lease for the period	-	-	217,748	217,748
Interest from lease liabilities	-	-	8,522	8,522
2022.03.31	\$370,000	\$67,525	\$3,005,535	\$3,443,060

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

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

g. Fair value of financial instruments

1) Valuation technique and assumptions used in measuring fair value

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The Group's method and assumptions in valuating or disclosing the fair value of financial assets and financial liabilities are as follows:

- a) The carrying amount of the cash and cash equivalents, account receivables, account payables and other current liabilities is a reasonable approximation of the fair value, mainly because the period of maturity of such instruments is short.
- b) The fair value of financial assets and financial liabilities that are traded in active market and have standard terms and conditions are determined by reference to market quotations (e.g., listed and traded stocks and bonds).
- c) For equity instruments without active market (e.g. private placement of shares in listed cabinets, shares of publicly issued companies without active markets, and shares of undisclosed companies), fair value is estimated at market value, which is the price generated by market transactions of the same or comparable equity instruments and other relevant information (e.g. lack of liquidity discount factor, similar price-to-earnings (P/E) ratio, similar price per book value or more).

- d) For debt instrument investments without active market, bank loans, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

2) Fair value of financial instruments measured at amortized cost

Except for the following, the carrying amount of the Group's financial assets and financial liabilities measured at amortized cost is a close approximation of their fair value.

	Carrying amount		
	2022.03.31	2021.12.31	2021.03.31
Financial liabilities:			
Bonds payable	\$-	\$-	\$30,206

	Fair value		
	2022.03.31	2021.12.31	2021.03.31
Financial liabilities:			
Bonds payable	\$-	\$-	\$30,255

3) Fair value ranked information of financial instruments

Please refer to Note 12.9 for fair value ranked information of financial instruments.

h. Derivatives

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

Embedded derivatives

The Group has identified embedded derivatives from the issuance of convertible bonds. These have been separated from the host contract and are treated through measurement at fair value at profit or loss. Please see Note 6 for information on contracts for these transactions.

i. Ranking of fair value

1) Definition of fair value ranking

All assets and liabilities measured or disclosed at fair value are classified at their fair value rank based on the lowest rank of input that is material to the overall fair value. Input value of each rank is as follows:

Rank 1: quotation (unadjusted) of the same asset or liability from an active market can be obtained on the measurement date.

Rank 2: Input value can be directly or indirectly observed for an asset or liability, except for the quotations at rank 1.

Rank 3: unobservable input value for assets and liabilities.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, revaluation of their respective classification shall be required at the end of each reporting period to determine whether there has been a transfer between ranks of fair value.

2) Information on measurement of fair value ranks

Group does not have assets measured by repetitive or non-repetitive fair value.

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

March 31, 2022: None.

December 31, 2021: None.

March 31, 2021:

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

j. Information on financial assets and financial liabilities in foreign currency with material effect: Not applicable.

k. Capital management

The most important objective of the Group's capital management is to ensure that a healthy credit rating and positive capital ratio can be preserved to support the maximization of business management and shareholders' rights. The Group manages and adjusts capital structure based on economic conditions. We may achieve the objective of preserving and adjusting capital structure through adjusting dividend payment or issuance of new shares.

13. Notes on Disclosures

a. Information on Significant Transactions

- 1) The Company's capital financing for others: None.
- 2) The Company's endorsement/guarantee for others: None.
- 3) Marketable securities held at the end of the period (excluding the equity of investments in subsidiaries, associates, and joint ventures): None.
- 4) The Company's cumulative buy or sell of individual marketable security of at least NT\$300 million or 20% of the paid-in capital for the period: None.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Purchases from and sales to related parties amounting to at least NT\$100 million or

exceeding 20% of paid-in capital: Please see Table 1.

- 8) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 2.
- 9) Derivatives transactions: None.
- 10) Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries: Please refer to Table 6.

b. Information on Reinvestments

- 1) Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China): Please see Table 3.
- 2) Disclosure of Investee Information in Note 13.1 When the Company Has Control over the Investee Company:
 - a) Capital financing for others: None.
 - b) Endorsement/guarantee for others: None.
 - c) Marketable securities held at the end of the period (excluding the equity of investments in subsidiaries, associates, and joint ventures): None.
 - d) Cumulative buy or sell of individual marketable security of at least NT\$300 million or 20% of the paid-in capital for the period: None.
 - e) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - f) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - g) Purchases from and sales to related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 4.

- h) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of the paid-in capital: Table 5.
- i) Derivatives transactions: None.
- c. Information on investments in Mainland China: None.
- d. Information on Substantial Shareholders:

Shares Name of substantial shareholder	Number of shares held (shares)	Shareholding ratio
Jun Wei Investment Co., Ltd.	9,517,904	13.42%
Zhen Han Investment Co., Ltd.	7,864,172	11.09%
Hao Cheng Investments Co., Ltd.	5,487,443	7.73%

14. Departmental Information

Revenues from the Group mostly come from sales of various medicine, health foods, maternity and infant products, and cosmetics. The Group's operational decision-makers will review the overall operating results to establish decisions regarding Company resources and to evaluate overall performance. Hence, it is a single business unit, and adopts the same fundamental compilations and preparations as the compilation and explanations of material accounting policies summarized in Note 4.

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
January 1 to March 31, 2022

Table 1
Unit: in NT\$1,000

Sales/purchase company	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Accounts receivable		Remark
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and notes receivable (payable)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	\$949,734	29.41%	Offset of debts and claims	No other customers for comparison	Non-related parties: 60-120 days credit	Accounts receivable \$438,772	51.73%	Note

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Receivables from Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
March 31, 2022

Table 2
Unit: in NT\$1,000

Company name	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount Collected Subsequent to the Balance Sheet Date	Allowance for doubtful accounts
					Amount	Treatment		
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	\$438,772	9.26	\$-	-	\$29,636	\$-
			(Note)					

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Disclosure of Investee Information When the Company Has Material Influence or Control over the Investee Company (Excluding Investments in Mainland China)
March 31, 2022

Table 3
Unit: in NT\$1,000

Name of investing company	Investee	Location	Major operations	Initial investment amount		Ending balance			Profit (Loss) of Investee for the Period	Investment income (loss) recognized by the Company for the period	Remark
				Ending balance for this period	Year-end in previous year	Shareholding	Ratio (%)	Carrying Amount			
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	No. 145, Chengzhang 4th Street, Zhongli District, Taoyuan City	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs, health supplements, maternity and infant products, and cosmetics	\$40,612	\$40,612	5,900,000 shares	100.00%	\$121,867	\$12,682	\$6,832 (Note 1)	Note 2
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	No. 1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City.	Wholesale and retail business, and packaging and warehousing services of foods and assorted goods, beverages, daily supplies, cleaning products and cosmetics	\$2,000	\$2,000	200,000 shares	100.00%	\$7,849	\$1,188	\$1,188	Note 2
Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City	Retail business of animal medication, aquarium fish, and retail and wholesale business of pet food and supply	\$30,000	\$30,000	3,000,000 shares	100.00%	\$20,089	\$(4,018)	\$(4,018)	Note 2
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City.	Management consultancy, housing and commercial building development, lease and sales, development of special zones, real estate sales and lease, and development, lease, and sales of factory buildings	\$36,000	\$36,000	3,600,000 shares	60.00%	\$31,075	\$227	\$136	Note 2

Note 1. Includes income from investment recognized using equity method for this period of NT\$12,682 thousand, write-off for lease transaction with related party NT\$173 thousand, realized profit from upstream transactions in previous period of NT\$34,682 thousand, and unrealized profit from upstream transactions for this period of NT\$40,359 thousand.

Note 2. It has already been charged off during writing of the Consolidated Financial Statements.

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
January 1 to March 31, 2022

Table 4
Unit: in NT\$1,000

Sales/purchase company	Counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and notes receivable (payable)	
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$949,734	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable \$438,772	100.00%	Note

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Receivables from Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
March 31, 2022

Table 5
Unit: in NT\$1,000

Company name	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount Collected Subsequent to the Balance Sheet Date	Allowance for doubtful accounts
					Amount	Treatment		
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	\$156,678	2.09	\$-	-	\$16,690	\$-
			(Note)					

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries

Table 6
Unit: in NT\$1,000

Code (Note 1)	Name of counterparty	Transaction counterparty	Relationship with counterparty (Note 2)	Transaction status			
				Item	Amount	Transaction conditions	Ratio on consolidated total revenue or asset (Note 3)
	<u>2022.01.01~2022.03.31</u>						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	89,368	Credit 30 days	2.80%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Rental revenue	1,800	Credit 30 days	0.06%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts receivable	55	-	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	12,030	-	0.16%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Notes payable	130,433	-	1.72%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	26,245	-	0.35%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other payables	118	-	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Guarantee deposits	240	-	-
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Sales	949,734	Offset of debts and claims	29.74%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Shipping fee	3,895	Offset of debts and claims	0.12%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	438,772	-	5.77%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Other payables	124	-	-
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Dividends receivable	5,000	-	0.07%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Rental revenue	1,214	Credit 30 days	0.04%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other income	186	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts receivable	245	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other receivables	2,131	-	0.03%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts payable	9	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other payables	852	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Rental expenses	486	Credit 30 days	0.02%
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other receivables	1,271	-	0.02%

Note 1. The information on business dealings between the parent company and subsidiaries should be numbered in the "Code" column with the following coding method:

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

Note 2. Relations with counterparty can be any one of the following three types:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries.

Note 3. Regarding the percentage of the transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on the interim accumulated amount to consolidated net revenue for profit or loss items.

Note 4. Amounts in foreign currency will be converted to NTD by the exchange rate as of the balance sheet date.