

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Financial Statements with Independent Auditors' Review
Report

For the Six Months Ended June 30, 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

Table of Contents

Item	Page Number
1. Cover	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4-5
5. Consolidated Statements of Comprehensive Income	6
6. Consolidated Statements of Changes in Equity	7
7. Consolidated Statements of Cash Flows	8
8. Notes to Consolidated Financial Statements	
a. Company Overview	9
b. Dates and Procedures of Approving Financial Statements	9
c. Applicability of New and Amended Accounting Principles and Explanations	9-12
d. Explanations of Major Accounting Policies	12-14
e. Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions	14
f. Explanations of Significant Accounting Items	14-40
g. Related Party Transactions	40
h. Assets Pledged	40
i. Significant Contingent Liabilities and Unrecognized Contracts	40
j. Contingent Disaster Loss	40
k. Significant Post-reporting Period Matters	41
l. Others	41-49
m. Notes on Disclosures	
1) Information on Significant Transactions	49-50
2) Information on Reinvestments	50
3) Information on Investments in Mainland China	51
4) Information on Substantial Shareholders	51
n. Departmental Information	51

Independent Auditors' Review Report

To Great Tree Pharmacy Co., Ltd.,

Introduction

We have reviewed the accompanying consolidated balance sheets of Great Tree Pharmacy Co., Ltd. (the “Company”) and its subsidiaries as of June 30, 2022 and 2021, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months and six months ended June 30, 2022 and 2021, Changes in Equity and Cash Flows for the six-month periods then ended, 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 June 30, 2022 and 2021, and its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021 and its consolidated cash flows for the six-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. (106) FSC No. 1060026003

No. (87)TCZ(VI)65315

Lo Hsiao-Chin

Certified Public Accountant (CPA)

Mars Hong

August 11, 2022

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
June 30, 2022, December 31, 2021 and June 30, 2021
(June 30, 2022 and June 30, 2021 were reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

Asset			June 30, 2022		December 31, 2021		June 30, 2021	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6. 1	\$1,707,445	19	1,308,469	18	\$1,037,579	15
1136	Financial assets measured at amortized cost	6. 3, and 8	24,000	-	24,000	1	24,000	-
1150	Notes receivable, net	6. 4	1,543	-	2,144	-	1,162	-
1170	Accounts receivable, net	6. 5	476,727	6	468,728	6	441,824	7
1200	Other receivables		11,684	-	44,412	1	14,187	-
1300	Inventory	6. 6	2,409,979	27	1,839,468	25	1,809,977	27
1410	Prepayments		70,377	1	41,137	1	48,871	1
1470	Other current assets		3,884	-	10,498	-	11,390	-
	Total current assets		4,705,639	53	3,738,856	52	3,388,990	50
15xx	Non-current assets							
1517	Financial assets measured at fair value through other comprehensive income	6. 2	50,000	1	-	-	-	-
1535	Financial assets measured at amortized cost	6. 3, and 8	3,000	-	3,000	-	3,000	-
1600	Property, plant and equipment	6. 7	773,555	9	749,832	10	703,192	10
1755	Right-of-use assets	6. 17	3,057,899	35	2,768,801	37	2,588,310	38
1780	Intangible assets	6. 8	26,986	-	20,530	-	17,383	-
1840	Deferred tax assets	4 and 6. 20	13,238	-	11,828	-	11,621	-
1900	Other non-current assets	6. 9	191,213	2	97,017	1	91,707	2
	Total non-current assets		4,115,891	47	3,651,008	48	3,415,213	50
1xxx	Total assets		\$8,821,530	100	\$7,389,864	100	\$6,804,203	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)
June 30, 2022, December 31, 2021 and June 30, 2021
(June 30, 2022 and 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			June 30, 2022		December 31, 2021		June 30, 2021	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term loans	6. 10	\$370,000	4	\$370,000	5	\$370,000	5
2130	Contract liabilities	6. 15	17,481	-	11,902	-	11,925	-
2150	Notes payable		580,237	7	584,117	8	476,240	7
2170	Accounts payable		1,736,526	20	1,138,318	15	1,127,490	16
2200	Other payables	6. 11	489,355	6	295,222	4	245,989	4
2230	Tax liabilities for the period	4 and 6. 20	94,685	1	78,312	1	48,589	1
2280	Lease liabilities	6. 17	376,717	4	309,123	4	303,189	4
2300	Other current liabilities		131,365	1	26,672	1	41,870	1
	Total current liabilities		3,796,366	43	2,813,666	38	2,625,292	38
25xx	Non-current liabilities							
2572	Deferred tax liabilities		653	-	-	-	-	-
2580	Lease liabilities	6. 17	2,796,895	32	2,562,052	35	2,376,502	35
2640	Net defined benefit liabilities		5,645	-	5,645	-	3,425	-
2645	Guarantee deposits		75,874	1	56,005	1	47,100	1
	Total non-current liabilities		2,879,067	33	2,623,702	36	2,427,027	36
2xxx	Total liabilities		6,675,433	76	5,437,368	74	5,052,319	74
31xx	Equity attributable to shareholders of parent company							
3100	Share capital	6. 13						
3110	Ordinary share capital		709,111	8	700,431	9	540,017	8
3140	Share capital collected in advance		-	-	6,679	-	-	-
3150	Unappropriated stock dividends		182,241	2	-	-	-	-
3200	Capital surplus	6. 13	737,608	8	726,345	10	693,807	10
3300	Retained earnings	6. 13						
3310	Legal capital reserve		133,468	2	92,969	1	73,419	1
3350	Unappropriated earnings		362,859	4	405,446	6	424,153	6
36xx	Non-controlling interests	6. 13	20,810	-	20,626	-	20,488	1
3xxx	Total equity		2,146,097	24	1,952,496	26	1,751,884	26
	Total liabilities and equity		\$8,821,530	100	\$7,389,864	100	\$6,804,203	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 and six months ended June 30, 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	2022.04.01~2022.06.30		2021.04.01~2021.06.30		2022.01.01~2022.06.30		2021.01.01~2021.06.30	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue	6. 15	\$3,965,182	100	\$2,833,942	100	\$7,159,008	100	\$5,315,821	100
5000	Operating costs		(2,868,862)	(72)	(2,089,282)	(74)	(5,221,400)	(73)	(3,927,493)	(74)
5900	Operating gross profit		<u>1,096,320</u>	<u>28</u>	<u>744,660</u>	<u>26</u>	<u>1,937,608</u>	<u>27</u>	<u>1,388,328</u>	<u>26</u>
6000	Operating expenses									
6100	Selling and marketing expenses		(692,376)	(17)	(519,319)	(18)	(1,291,490)	(18)	(1,005,905)	(19)
6200	General and administrative expenses		(104,375)	(3)	(82,920)	(3)	(206,549)	(3)	(161,850)	(3)
6450	Expected credit (loss) gain	6. 16	588	-	-	-	(186)	-	-	-
	Total operating expenses		<u>(796,163)</u>	<u>(20)</u>	<u>(602,239)</u>	<u>(21)</u>	<u>(1,498,225)</u>	<u>(21)</u>	<u>(1,167,755)</u>	<u>(22)</u>
6900	Operating profit		<u>300,157</u>	<u>8</u>	<u>142,421</u>	<u>5</u>	<u>439,383</u>	<u>6</u>	<u>220,573</u>	<u>4</u>
7000	Non-operating income and expenses									
7100	Interest income	6. 19	392	-	198	-	558	-	366	-
7010	Other income	6. 19	12,398	-	13,049	-	27,882	-	30,893	-
7020	Other gains and losses	6. 19	4,502	-	(1,952)	-	8,299	-	552	-
7050	Financing costs	6. 19	(9,727)	-	(8,628)	-	(19,195)	-	(17,083)	-
	Total non-operating income and expenses		<u>7,565</u>	<u>-</u>	<u>2,667</u>	<u>-</u>	<u>17,544</u>	<u>-</u>	<u>14,728</u>	<u>-</u>
7900	Net profit before tax		<u>307,722</u>	<u>8</u>	<u>145,088</u>	<u>5</u>	<u>456,927</u>	<u>6</u>	<u>235,301</u>	<u>4</u>
7950	Income tax expenses	4 and 6. 20	<u>(63,198)</u>	<u>(2)</u>	<u>(26,553)</u>	<u>(1)</u>	<u>(94,348)</u>	<u>(1)</u>	<u>(44,834)</u>	<u>-</u>
8200	Net income		<u>244,524</u>	<u>6</u>	<u>118,535</u>	<u>4</u>	<u>362,579</u>	<u>5</u>	<u>190,467</u>	<u>4</u>
8300	Other comprehensive income (loss)		-	-	-	-	-	-	-	-
8500	Total comprehensive income (loss)		<u>\$244,524</u>	<u>6</u>	<u>\$118,535</u>	<u>4</u>	<u>\$362,579</u>	<u>5</u>	<u>\$190,467</u>	<u>4</u>
8600	Net income (loss) attributable to:									
8610	Owners of the parent company		\$244,431	6	\$118,452	4	\$362,395	5	\$190,262	4
8620	Non-controlling interests		<u>93</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>184</u>	<u>-</u>	<u>205</u>	<u>-</u>
			<u>\$244,524</u>	<u>6</u>	<u>\$118,535</u>	<u>4</u>	<u>\$362,579</u>	<u>5</u>	<u>\$190,467</u>	<u>4</u>
8700	Total comprehensive income attributable to:									
8710	Owners of the parent company		\$244,431	6	\$118,452	4	\$362,395	5	\$190,262	4
8720	Non-controlling interests		<u>93</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>184</u>	<u>-</u>	<u>205</u>	<u>-</u>
			<u>\$244,524</u>	<u>6</u>	<u>\$118,535</u>	<u>4</u>	<u>\$362,579</u>	<u>5</u>	<u>\$190,467</u>	<u>4</u>
9750	Basic ESP (NT\$)	6. 21	<u>\$2.74</u>		<u>\$1.35</u>		<u>\$4.07</u>		<u>\$2.17</u>	
9850	Diluted EPS (NT\$)	6. 21	<u>\$2.67</u>		<u>\$1.31</u>		<u>\$3.96</u>		<u>\$2.11</u>	

(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 six months ended June 30, 2022 and 2021
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

	Item	Equity attributable to shareholders of parent company							Non-controlli ng interests	Total equity
		Share capital	Share capital collected in advance	Unappropriate d stock dividends	Capital surplus	Retained earnings		Total		
						Legal capital reserve	Unappropriated earnings			
Code		3100	3140	3150	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 six months ended June 30, 2021						190,262	190,262	205	190,467
D3	Other comprehensive income (loss) for the six months ended June 30, 2021									
D5	Total comprehensive income (loss)	-	-	-	-	-	190,262	190,262	205	190,467
I1	Convertible corporate bond conversion	9,358	(2,787)		32,207			38,778		38,778
T1	Others - issuance of employee stock options				3,094			3,094		3,094
Z1	Balance as of June 30, 2021	\$540,017	\$-	\$-	\$693,807	\$73,419	\$424,153	\$1,731,396	\$20,488	\$1,751,884
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
	Appropriation and distribution of earnings in 2021									
B1	Provision of legal capital reserve					40,499	(40,499)	-		-
B5	Cash dividends						(182,242)	(182,242)		(182,242)
B9	Share dividends			182,241			(182,241)	-		-
D1	Net income for the six months ended June 30, 2022						362,395	362,395	184	362,579
D3	Other comprehensive income (loss) for the six months ended June 30, 2022									
D5	Total comprehensive income (loss)	-	-	-	-	-	362,395	362,395	184	362,579
N1	Share-based payment transactions	8,680	(6,679)		8,820			10,821		10,821
T1	Others - issuance of employee stock options				2,443			2,443		2,443
Z1	Balance as of June 30, 2022	\$709,111	\$-	\$182,241	\$737,608	\$133,468	\$362,859	\$2,125,287	\$20,810	\$2,146,097

(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 six months ended June 30, 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	2022.01.01~2022.06.30	2021.01.01~2021.06.30	Code	Item	2022.01.01~2022.06.30	2021.01.01~2021.06.30
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for the period	\$456,927	\$235,301	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(50,000)	-
A20000	Adjustment items:			B02700	Acquisition of property, plant and equipment	(135,427)	(120,272)
A20010	Adjustments:			B02800	Disposal of property, plant and equipment	-	3,286
A20100	Depreciation expense (including right-of-use assets)	286,366	236,417	B03700	(Increase) decrease in refundable deposits	(92,083)	(6,014)
A20200	Amortization expenses	2,155	1,668	B04500	Acquisition of intangible assets	(8,611)	(1,033)
A20300	Expected credit impairment loss	186	-	BBBB	Net cash inflow (outflow) from investing activities	(286,121)	(124,033)
A20900	Interest expenses	19,195	17,083				
A21200	Interest income	(558)	(366)	CCCC	Cash flow from financing activities:		
A21900	Cost of share-based payments	2,443	3,094	C00130	Repayments of bonds	-	(2,000)
A22500	Gain on disposal of property, plant and equipment	-	(101)	C03000	Increase in guarantee deposits received	19,869	6,911
A29900	Other item - gain on lease modification	(502)	(2,598)	C04020	Repayment of principal on loan	(188,913)	(158,865)
A30000	Changes in assets/liabilities related to operating activities:			C04800	Employees exercising share option	10,821	-
A31130	(Increase) decrease in notes receivable	601	3,355	CCCC	Net cash inflow (outflow) from financing activities	(158,223)	(153,954)
A31150	(Increase) decrease in accounts receivable	(8,185)	(130,710)				
A31180	(Increase) decrease in other receivables	32,728	56,838	EEEE	Increase (decrease) in cash and cash equivalents for the period	398,976	201,777
A31200	(Increase) decrease in inventory, net	(570,511)	(347,732)	E00100	Beginning balance of cash and cash equivalents	1,308,469	835,802
A31230	(Increase) decrease in prepayments	(29,240)	(14,613)	E00200	Ending balance of cash and cash equivalents	\$1,707,445	\$1,037,579
A31240	(Increase) decrease in other current assets	6,614	(7,933)				
A32125	Increase (decrease) in contract liabilities	5,579	3,821				
A32130	Increase (decrease) in notes payables	(3,880)	125,917				
A32150	Increase (decrease) in accounts payables	598,208	307,817				
A32180	Increase (decrease) in other payables	20,524	11,507				
A32230	Increase (decrease) in other current liabilities	104,693	18,360				
A33000	Cash inflow (outflow) from operating activities	923,343	517,125				
A33100	Interest received	558	366				
A33300	Interest paid	(1,849)	(1,812)				
A33500	Income tax paid	(78,732)	(35,915)				
AAAA	Cash inflow (outflow) from operating activities	843,320	479,764				

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the six months ended June 30, 2022 and 2021
(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 six months ended June 30, 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 August 11, 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 not yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

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

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

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

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

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

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

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

The abovementioned standards and interpretations are issued by IASB and have been recognized by FSC, and will be applicable for annual periods beginning on or after January 1, 2023. According to the Group's evaluation, the abovementioned new standards, amendments or interpretations have no material impact on the Group.

- c. As of the approval and announcement date of the financial statements, the Group has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) 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

- 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.

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 six months ended June 30, 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 (%)			
			2022.06.30	2021.12.31	2021.06.30	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%	100%	100%	None
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Real estate sales and lease	60%	60%	60%	None

d. Retirement pension plan

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

e. Income tax

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

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

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

This consolidated financial statements adopted the same primary sources of uncertainties in major accounting judgments, estimates, and assumptions as the ones used in the consolidated financial statements for the year ended December 31, 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

	2022.06.30	2021.12.31	2021.06.30
Cash on hand and petty cash	\$9,736	\$9,046	\$8,456
Checks and demand deposit	1,583,159	1,184,873	914,573
Fixed deposit	114,550	114,550	114,550
Total	<u>\$1,707,445</u>	<u>\$1,308,469</u>	<u>\$1,037,579</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

b. Financial assets measured at fair value through other comprehensive income

	2022.06.30	2021.12.31	2021.06.30
Investments in equity instruments measured at fair value through other comprehensive income:			
Unlisted and non-OTC company stock	\$50,000	\$-	\$-
Valuation adjustment	-	-	-
Total	<u>\$50,000</u>	<u>\$-</u>	<u>\$-</u>
Current	\$-	\$-	\$-
Non-current	50,000	-	-
Total	<u>\$50,000</u>	<u>\$-</u>	<u>\$-</u>

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

c. Financial assets measured at amortized cost

	2022.06.30	2021.12.31	2021.06.30
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.

d. Notes receivable, net

	2022.06.30	2021.12.31	2021.06.30
Notes receivable - from operating activities	\$1,543	\$2,144	\$1,162
Less: allowance for loss	-	-	-
Total	\$1,543	\$2,144	\$1,162

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

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

e. Accounts receivable, net

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

	2022.06.30	2021.12.31	2021.06.30
Total accounts receivable	\$477,530	\$469,345	\$442,525
Less: allowance for loss	(803)	(617)	(701)
Net balance	\$476,727	\$468,728	\$441,824

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\$477,530 thousand, NT\$469,345 thousand and NT\$442,525 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Please refer to Note 6.16 for information related to allowance for impairment loss for the six months ended June 30, 2022 and 2021. Please refer to Note 12 for information on credit risk.

f. Inventory

1) Net inventory is as follows:

	2022.06.30	2021.12.31	2021.06.30
Work-in-progress	\$2,395	\$66	\$1,363
Commodity	2,407,584	1,839,402	1,808,614
Total	<u>\$2,409,979</u>	<u>\$1,839,468</u>	<u>\$1,809,977</u>

- 2) The Group recognized the cost of inventories NT\$2,868,862 thousand and NT\$2,089,282 thousand as expenses for the three months ended June 30, 2022 and 2021, respectively. The cost of inventories recognized as expenses for the six months ended June 30, 2022 and 2021 were NT\$5,221,400 thousand and NT\$3,927,493 thousand, respectively. These expenses include the following:

Item	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Allowance for inventory valuation and obsolescence loss (gains on recovery)	\$(12)	\$(4,341)	\$113	\$5,580
Loss (profit) on physical inventory	667	(394)	3,288	(597)
Inventory scrap loss	3,211	3,081	5,538	4,448
Total	<u>\$3,866</u>	<u>\$(1,654)</u>	<u>\$8,939</u>	<u>\$9,431</u>

For the three months ended June 30, 2022 and 2021, due to the valuation that the parts sustaining from inventory valuation and obsolescence loss has been disposed of, its allowance for inventory valuation and obsolescence loss has been recognized as gains on recovery.

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

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

g. Property, plant and equipment

	Buildings and construction	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:						
2022.01.01	\$48,583	\$14,338	\$412,011	\$554,115	\$316,722	\$1,345,769
Acquisition	-	-	59,500	50,568	14,613	124,681
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
2022.06.30	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$471,511</u>	<u>\$604,683</u>	<u>\$331,335</u>	<u>\$1,470,450</u>
2021.01.01	\$48,583	\$14,338	\$344,607	\$463,629	\$223,882	\$1,095,039
Acquisition	-	-	21,562	39,273	56,387	117,222
Disposal	-	-	(840)	(124)	(2,331)	(3,295)
Transfer	-	-	-	-	-	-
2021.06.30	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$365,329</u>	<u>\$502,778</u>	<u>\$277,938</u>	<u>\$1,208,966</u>
Depreciation and impairment:						
2022.01.01	\$3,826	\$13,582	\$237,053	\$234,835	\$106,641	\$595,937
Depreciation	1,628	262	30,481	39,587	29,000	100,958
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
2022.06.30	<u>\$5,454</u>	<u>\$13,844</u>	<u>\$267,534</u>	<u>\$274,422</u>	<u>\$135,641</u>	<u>\$696,895</u>
	Buildings and construction	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
2021.01.01	\$790	\$12,931	\$186,504	\$169,634	\$55,392	\$425,251
Depreciation	1,580	369	24,338	30,961	23,385	80,633
Disposal	-	-	(28)	(4)	(78)	(110)
Transfer	-	-	-	-	-	-
2021.06.30	<u>\$2,370</u>	<u>\$13,300</u>	<u>\$210,814</u>	<u>\$200,591</u>	<u>\$78,699</u>	<u>\$505,774</u>
Net carrying amount:						
2022.06.30	<u>\$43,129</u>	<u>\$494</u>	<u>\$203,977</u>	<u>\$330,261</u>	<u>\$195,694</u>	<u>\$773,555</u>
2021.12.31	<u>\$44,757</u>	<u>\$756</u>	<u>\$174,958</u>	<u>\$319,280</u>	<u>\$210,081</u>	<u>\$749,832</u>
2021.06.30	<u>\$46,213</u>	<u>\$1,038</u>	<u>\$154,515</u>	<u>\$302,187</u>	<u>\$199,239</u>	<u>\$703,192</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
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The aforementioned property, plant and equipment have no conditions of endorsement/guarantee.

h. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2022.01.01	\$14,145	\$14,286	\$28,431
Acquisition - separately acquired	8,611	-	8,611
Derecognized at the end of useful life	-	-	-
2022.06.30	<u>\$22,756</u>	<u>\$14,286</u>	<u>\$37,042</u>
2021.01.01	\$8,110	\$14,286	\$22,396
Acquisition - separately acquired	1,033	-	1,033
Derecognized at the end of useful life	-	-	-
2021.06.30	<u>\$9,143</u>	<u>\$14,286</u>	<u>\$23,429</u>
Amortization and impairment:			
2022.01.01	\$7,901	\$-	\$7,901
Amortization	2,155	-	2,155
Impairment loss	-	-	-
Derecognized at the end of useful life	-	-	-
2022.06.30	<u>\$10,056</u>	<u>\$-</u>	<u>\$10,056</u>
2021.01.01	\$4,378	\$-	\$4,378
Amortization	1,668	-	1,668
Impairment loss	-	-	-
Derecognized at the end of useful life	-	-	-
2021.06.30	<u>\$6,046</u>	<u>\$-</u>	<u>\$6,046</u>
Net carrying amount:			
2022.06.30	<u>\$12,700</u>	<u>\$14,286</u>	<u>\$26,986</u>
2021.12.31	<u>\$6,244</u>	<u>\$14,286</u>	<u>\$20,530</u>
2021.06.30	<u>\$3,097</u>	<u>\$14,286</u>	<u>\$17,383</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

Amortization for recognition of intangible assets is as follows:

Item	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Operating expenses	\$1,188	\$819	\$2,155	\$1,668

i. Other non-current assets

	2022.06.30	2021.12.31	2021.06.30
Prepaid equipment	\$5,173	\$3,060	\$8,965
Refundable deposits	186,040	93,957	82,742
Total	\$191,213	\$97,017	\$91,707

For long-term business development needs to increase operational performance, the Group has made a joint bid on “Taoyuan Aerotropolis Project Priority Industrial Zone Land Auction - Base B” with Company A on June 22, 2022 through the resolution of the board of directors, and the deposit of NT\$83,877 thousand has been paid and recorded under refundable deposits as of June 30, 2022.

j. Short-term loans

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

	Range of interest rates (%)	2022.06.30	2021.12.31	2021.06.30
Unsecured bank loan	0.83%~1.18%	\$370,000	\$370,000	\$370,000

2) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's unused short-term loan credits are NT\$112,340 thousand, NT\$92,960 thousand and NT\$94,670 thousand, respectively.

k. Other payables

	2022.06.30	2021.12.31	2021.06.30
Expenses payable	\$290,096	\$269,572	\$223,059
Equipment payable	16,980	25,613	22,893
Dividends payable	182,242	-	-
Net defined benefit liability - current	37	37	37
Total	<u>\$489,355</u>	<u>\$295,222</u>	<u>\$245,989</u>

l. Retirement pension plan

Defined allocation plan

The Group recognized defined allocation expense of NT\$10,976 thousand and NT\$9,507 thousand for the three months ended June 30, 2022 and 2021, respectively. The Group recognized defined allocation expense of NT\$21,530 thousand and NT\$18,965 thousand for the six months ended June 30, 2022 and 2021, respectively.

Defined benefit plan

The expense of the defined benefit plan of the Group for the three months ended June 30, 2022 and 2021 were both NT\$56 thousand. The expense of the defined benefit plan of the Group for the six months ended June 30, 2022 and 2021 were both NT\$112 thousand.

m. Equity

1) Ordinary Shares

As of June 30, 2022, December 31, 2021 and June 30, 2021, the authorized share capital of the Company was NT\$1,500,000 thousand, NT\$1,500,000 thousand, and NT\$600,000 thousand; in addition, the issued share capital was NT\$709,111 thousand, NT\$700,431 thousand, and NT\$540,017 thousand, respectively, with 70,911 thousand shares, 70,043 thousand shares, and 54,002 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 of the same year 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 of the same year 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.

On May 31, 2022, the Company's Annual Shareholders' Meeting has approved the capital increase by reinvestment of a surplus of NT\$182,241 thousand. Upon approval of the Board of Directors on July 7, 2022, August 8 of the same year was set to be the base date of the capital increase, and, therefore, it was recorded under unappropriated stock dividends as of June 30, 2022.

2) Capital surplus

	2022.06.30	2021.12.31	2021.06.30
Share premium of ordinary shares	\$723,060	\$714,240	\$684,781
Employee stock options	11,403	9,148	6,312
Expired stock options	3,145	2,957	2,714
Total	<u>\$737,608</u>	<u>\$726,345</u>	<u>\$693,807</u>

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

3) Appropriation of net income and dividend policy

a) Appropriation of net income

Pursuant to the Company's Articles of Incorporation, if a surplus is available after closing the accounts, it shall be first used to pay taxes, make up past deficits, then 10% of which shall be appropriated as legal capital reserve. However, the Company is exempted from such appropriation in case the legal capital reserve has reached the Company's total capital, and the Company shall appropriate special capital reserve according to applicable laws or regulations from the competent authority. The remainder of which and any accumulated and unappropriated net income from previous years shall be appropriated as net income available for appropriation. The Board of Directors shall propose the appropriation of net income and submit for a resolution at the Shareholders' Meeting, then distribute bonus to shareholders accordingly.

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 May 31, 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:

	Appropriation and distribution of earnings		Dividends per share (NT\$)	
	2021	2020	2021	2020
Legal capital reserve	\$40,499	\$19,550		
Cash dividends for ordinary shares	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>		

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

	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Beginning balance	\$20,626	\$20,283
Increase in the period	-	-
Net income (loss) attributable to non-controlling interests for the period	184	205
Ending balance	<u>\$20,810</u>	<u>\$20,488</u>

n. Share-based payment plan

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

Employee share-based payment plan

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 4,000 units of employee stock options on October 29, 2019. Each unit of equity security can be used to subscribe for 1,000 shares of the Company's ordinary shares. The Company will issue new shares when employees exercise such an option. Equity security subscribers may exercise the stock options for a certain period and proportion two years after the employee stock option certificate has been granted. The duration of this stock option certificate is six years.

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

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

- a) 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.

- b) Information on the employee stock option plan issued for the six months ended June 30, 2022 and 2021.

	2022.01.01~2022.06.30		2021.01.01~2021.06.30	
	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	(63)	-	-	-
Outstanding stock options on June 30	2,840	\$60.52	3,896	\$84.46
Executable stock options on June 30	956	-	-	-
Weighted-average fair value of the stock options granted for the period		\$-		\$-

- c) Below is the aforementioned share-based payment plan outstanding as of June 30, 2022, December 31, 2021 and June 30, 2021:

<u>2022.06.30</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$54.10	3.42 years
Granted on October 27, 2020	\$66.50	4.32 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>2021.06.30</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$82.60	4.42 years
Granted on October 27, 2020	\$86.20	5.32 years

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

Recognized expenses due to share-based payment transactions (All are equity delivery share-based payment)	<u>2022.04.01~ 2022.06.30</u>	<u>2021.04.01~ 2021.06.30</u>	<u>2022.01.01~ 2022.06.30</u>	<u>2021.01.01~ 2021.06.30</u>
	<u>\$1,207</u>	<u>\$1,547</u>	<u>\$2,443</u>	<u>\$3,094</u>

- o. Operating revenue

	<u>2022.04.01~ 2022.06.30</u>	<u>2021.04.01~ 2021.06.30</u>	<u>2022.01.01~ 2022.06.30</u>	<u>2021.01.01~ 2021.06.30</u>
Revenue from customer contracts				
Revenue from sale of goods	\$3,952,790	\$2,824,194	\$7,135,540	\$5,294,991
Revenue from provision of service	10,757	7,571	20,197	16,475
Others	1,635	2,177	3,271	4,355
Total	<u>\$3,965,182</u>	<u>\$2,833,942</u>	<u>\$7,159,008</u>	<u>\$5,315,821</u>

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

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(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) Breakdown of revenue

	Single department			
	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Sales of goods	\$3,952,790	\$2,824,194	\$7,135,540	\$5,294,991
Service revenue	10,757	7,571	20,197	16,475
Others	1,635	2,177	3,271	4,355
Total	<u>\$3,965,182</u>	<u>\$2,833,942</u>	<u>\$7,159,008</u>	<u>\$5,315,821</u>

Timing of revenue

recognition:

At a fixed point in time	\$3,962,006	\$2,830,226	\$7,152,656	\$5,308,408
Over a period of time	3,176	3,716	6,352	7,413
Total	<u>\$3,965,182</u>	<u>\$2,833,942</u>	<u>\$7,159,008</u>	<u>\$5,315,821</u>

2) Contract balance

a) Contract liability – current

	2022.06.30	2021.12.31	2021.06.30	2021.01.01
Sales of goods	\$645	\$627	\$511	\$502
Customer loyalty program	16,836	11,275	11,414	7,602
Total	<u>\$17,481</u>	<u>\$11,902</u>	<u>\$11,925</u>	<u>\$8,104</u>

Explanations of the changes in the balance of contract liabilities for the six months ended June 30, 2022 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue for the period	\$(16)	\$(2,348)
Increase in advance payment for the period	34	7,909

Explanations of the changes in the balance of contract liabilities for the six months ended June 30, 2021 are as follows:

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue for the period	\$(14)	\$(1,655)
Increase in advance payment for the period	23	5,467

p. Expected credit loss

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Operating expenses - expected credit loss (gain on reversal)				
Receivables	<u>\$(588)</u>	<u>\$-</u>	<u>\$186</u>	<u>\$-</u>

Please see Note 12 for information on credit risk.

- 1) The Group's receivables (including notes receivable and accounts receivable) take into account factors including credit worthiness of the counterparty, regional and industrial factors, and use the expected credit loss amount during the lifetime to measure the allowance loss. Information for assessing the amount of allowance for loss as of June 30, 2022, December 31, 2021 and June 30, 2021 can be found in the following:

June 30, 2022

	Not overdue	Days overdue		
	(Note)	31-180 days	More than 181 days	Total
Total carrying amount	\$478,338	\$57	\$678	\$479,073
Rate of loss	0.02%	50%	100%	
Expected lifetime credit loss	(97)	(28)	(678)	(803)
Carrying Amount	<u>\$478,241</u>	<u>\$29</u>	<u>\$-</u>	<u>\$478,270</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

December 31, 2021

	Not overdue (Note)	Days overdue		Total
		31-180days	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	\$470,872	\$-	\$-	\$470,872

June 30, 2021

	Not overdue (Note)	Days overdue		Total
		31-180days	More than 181 days	
Total carrying amount	\$443,642	\$21	\$24	\$443,687
Rate of loss	0.14%	100%	100%	
Expected lifetime credit loss	(656)	(21)	(24)	(701)
Carrying Amount	\$442,986	\$-	\$-	\$442,986

one 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 six months ended June 30, 2022 and 2021 is as:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$617
Increase (decrease) in the period	-	186
2022.06.30	\$-	\$803
2021.01.01	\$-	\$701
Increase (decrease) in the period	-	-
2021.06.30	\$-	\$701

q. Lease

1) The Group is the lessee

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

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

a) Amount recognized in the balance sheet

i. Right-of-use assets

Carrying amount of right-of-use assets

	Building and construction
Cost:	
2022.01.01	\$4,144,333
Acquisition	512,047
Disposal	(38,172)
2022.06.30	<u>\$4,618,208</u>
2021.01.01	\$3,557,999
Acquisition	344,208
Disposal	(107,279)
2021.06.30	<u>\$3,794,928</u>
Depreciation and impairment:	
2022.01.01	\$1,375,532
Depreciation	185,408
Disposal	(631)
2022.06.30	<u>\$1,560,309</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

	Building and construction
2021.01.01	\$1,070,461
Depreciation	155,784
Disposal	(19,627)
2021.06.30	\$1,206,618
Carrying amount:	
2022.06.30	\$3,057,899
2021.12.31	\$2,768,801
2021.06.30	\$2,588,310

ii. Lease liabilities

	2022.06.30	2021.12.31	2021.06.30
Lease liabilities	\$3,173,612	\$2,871,175	\$2,679,691
Current	\$376,717	\$309,123	\$303,189
Non-current	\$2,796,895	\$2,562,052	\$2,376,502

Please refer to Note 6. 19(4) Financing Costs for the Group's interest expense for lease liabilities for the three months and six months ended June 30, 2022 and 2021; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of June 30, 2022, December 31, 2021 and June 30, 2021.

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

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Short-term lease expense	\$(11,958)	\$(7,633)	\$(25,403)	\$(11,905)
Revenue from sublease of right-of-use assets	10,493	9,064	18,828	16,119

As of June 30, 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

	<u>2022.01.01~2022.06.30</u>	<u>2021.01.01~2021.06.30</u>
Total cash flows on lease	\$214,316	\$170,770

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.

	<u>2022.04.01~ 2022.06.30</u>	<u>2021.04.01~ 2021.06.30</u>	<u>2022.01.01~ 2022.06.30</u>	<u>2021.01.01~ 2021.06.30</u>
Lease revenue recognized from operating lease				
Fixed lease payment	<u>\$10,493</u>	<u>\$9,064</u>	<u>\$18,828</u>	<u>\$16,119</u>

In signing operating lease contracts, the Group has the following total amount of undiscounted lease payment as of June 30, 2022, December 31, 2021 and June 30, 2021 and for the remaining years:

	<u>2022.06.30</u>	<u>2021.12.31</u>	<u>2021.06.30</u>
Less than one year	\$30,062	\$30,980	\$27,285
More than 1 but no more than 2 years	21,098	25,388	25,573
More than 2 but no more than 3 years	19,747	20,108	16,632
More than 3 but no more than 4 years	19,430	19,789	15,295
More than 4 but no more than 5 years	13,618	17,040	14,979
More than 5 years	88,284	88,079	92,250
Total	<u>\$192,239</u>	<u>\$201,384</u>	<u>\$192,014</u>

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

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

Function Characteristic	2022.04.01~2022.06.30			2021.04.01~2021.06.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$255,103	\$255,103	\$-	\$191,556	\$191,556
Labor and health insurance expenses	-	22,605	22,605	-	19,718	19,718
Pension expenses	-	11,032	11,032	-	9,563	9,563
Other employee benefit expenses	-	17,119	17,119	-	13,405	13,405
Depreciation expenses	3,314	143,355	146,669	3,248	117,299	120,547
Amortization expenses	-	1,188	1,188	-	819	819

Function Characteristic	2022.01.01~2022.06.30			2021.01.01~2021.06.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$460,827	\$460,827	\$-	\$361,767	\$361,767
Labor and health insurance expenses	-	45,181	45,181	-	38,630	38,630
Pension expenses	-	21,642	21,642	-	19,077	19,077
Other employee benefit expenses	-	33,255	33,255	-	25,912	25,912
Depreciation expenses	3,314	283,052	286,366	3,248	233,169	236,417
Amortization expenses	-	2,155	2,155	-	1,668	1,668

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/Supervisors by 3% and 0.89%

respectively based on profitability conditions. Employee compensation and remunerations of the Directors and Supervisors recognized for the three months ended June 30, 2022 were NT\$9,438 thousand and NT\$2,800 thousand, respectively. For the six months period ended June 30, 2022, employee compensation and remunerations of the Directors/Supervisors of NT\$13,984 thousand and NT\$4,149 thousand, respectively. Employee compensation and remunerations of the Directors and Supervisors recognized for the three months ended June 30, 2021 were NT\$4,386 thousand and NT\$1,301 thousand, respectively, and for the six months period ended June 30, 2021, employee compensation and remunerations of the Directors of NT\$7,060 thousand and NT\$2,094 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

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Financial assets measured at amortized cost	\$392	\$198	\$558	\$366

2) Other income

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Rental revenue	\$10,493	\$9,064	\$18,828	\$16,119
Other income - others	1,905	3,985	9,054	14,774
Total	\$12,398	\$13,049	\$27,882	\$30,893

3) Other gains and losses

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Gain (Loss) from foreign exchange, net	\$4,006	\$(1,808)	\$7,803	\$(1,571)
Gains on lease modifications	502	(12)	502	2,598
Gain on disposal of property, plant and equipment	-	-	-	101
Other expenditures - other	(6)	(132)	(6)	(576)
Total	<u>\$4,502</u>	<u>\$(1,952)</u>	<u>\$8,299</u>	<u>\$552</u>

4) Financing costs

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Interest from bank loans	\$903	\$909	\$1,849	\$1,812
Interest expense from corporate bonds	-	32	-	195
Interest from lease liabilities	8,824	7,687	17,346	15,076
Total	<u>\$9,727</u>	<u>\$8,628</u>	<u>\$19,195</u>	<u>\$17,083</u>

t. Income tax

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

Income tax recognized in profit or loss

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Current tax expenses (gains):				
Current tax payable	\$62,943	\$26,695	\$94,991	\$48,589
Adjustments in respect of current income tax of prior periods	114	124	114	124
Deferred tax expenses (gains):				
Deferred tax expenses	<u>141</u>	<u>(266)</u>	<u>(757)</u>	<u>(3,879)</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
related to initial recognition of temporary difference and its reversal				
Income tax expenses	\$63,198	\$26,553	\$94,348	\$44,834

2) Filing and review of income tax

As of June 30, 2021, 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.

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(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) Basic EPS

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Net profit attributable to holders of the parent company's ordinary shares	\$244,431	\$118,452	\$362,395	\$190,262
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	89,135	87,583	89,041	87,521
Basic ESP (NT\$)	\$2.74	\$1.35	\$4.07	\$2.17

2) Diluted EPS

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Net profit attributable to holders of the parent company's ordinary shares	\$244,431	\$118,452	\$362,395	\$190,262
Interest from convertible bonds	-	37	-	174
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	\$244,431	\$118,489	\$362,395	\$190,436
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	89,135	87,583	89,041	87,521
Dilutive effect:				
Employee stock options (in 1,000 shares)	2,250	2,217	2,325	2,217
Employee bonus - shares (in 1,000 shares)	48	36	65	64
Convertible bonds (in 1,000 shares)	-	281	-	348
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	91,433	90,117	91,431	90,150
Diluted EPS (NT\$)	\$2.67	\$1.31	\$3.96	\$2.11

- 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

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Short-term employee benefits	\$4,828	\$4,580	\$9,490	\$8,810
Retirement benefits	172	166	344	333
Share-based payment	196	227	392	453
Total	<u>\$5,196</u>	<u>\$4,973</u>	<u>\$10,226</u>	<u>\$9,596</u>

8. Assets Pledged

The Group has pledged the following assets as collateral:

Item	Carrying Amount			Content of the secured liabilities
	2022.06.30	2021.12.31	2021.06.30	
Financial assets measured at amortized cost - current	\$24,000	\$24,000	\$24,000	Credit card guarantee
Financial assets measured at amortized cost - non-current	3,000	3,000	3,000	Purchase contract guarantee
Total	<u>\$27,000</u>	<u>\$27,000</u>	<u>\$27,000</u>	

9. Significant Contingent Liabilities and Unrecognized Contracts

N/A.

10. Contingent Disaster Loss

N/A.

11. Significant Post-reporting Period Matters

- 1) To enrich working capital and repay bank loans, the Company issued the second domestic unsecured convertible corporate bonds of 10,000 shares by the resolution of the Board of Directors on July 7, 2022. The face value of each bond is NT\$100,000 and it has been approved by the Financial Supervisory Commission with the letter Jin-Guan-Zheng-Fa-Zi No. 1110350289.
- 2) For long-term business development needs to increase operational performance, the Company has made a joint bid on “Taoyuan Aerotropolis Project Priority Industrial Zone Land Auction - Base B” with Company A on June 22, 2022 through the resolution of the board of directors, and it won the bid for a total price of NT\$1,679,968 thousand on July 28, 2022.

12. Others

- a. Categories of financial instruments

Financial assets

	2022.06.30	2021.12.31	2021.06.30
Financial assets measured at fair value through other comprehensive income	\$50,000	\$-	\$-
Financial assets measured at amortized cost:			
Cash and cash equivalents	1,707,445	1,308,469	1,037,579
Financial assets measured at amortized cost	27,000	27,000	27,000
Notes receivable, net	1,543	2,144	1,162
Accounts receivable, net	476,727	468,728	441,824
Other receivables	11,684	44,412	14,187
Total	<u>\$2,274,399</u>	<u>\$1,850,753</u>	<u>\$1,521,752</u>

Financial liabilities

	2022.06.30	2021.12.31	2021.06.30
Financial liabilities at amortized cost:			
Short-term loans	\$370,000	\$370,000	\$370,000
Accounts payable	2,806,118	2,017,657	1,849,719
Bonds payable (including those maturing within 12 months)	-	-	-
Lease liabilities	3,173,612	2,871,175	2,679,691
Total	<u>\$6,349,730</u>	<u>\$5,258,832</u>	<u>\$4,899,410</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 0.1%, the Group's income for the six months ended June 30, 2022 and 2021 will increase/decrease by NT\$853 thousand and by NT\$519 thousand, respectively.

Equity price risk

The Group holds unlisted and non-OTC equity securities, and the fair values are susceptible due to the uncertainties of the future values of such investment targets. The unlisted and non-OTC equity securities held by the Group includes the category of that measured at fair value through other comprehensive income. The Group manages the price risk of equity securities by diversified investments and setting limits for individual and collective equity securities investments. The investment portfolio information of equity securities shall be regularly provided to the senior management of the Group, and the Board of Directors shall review and approve all investment decisions in equity securities.

Please refer to Note 12.8 for sensitivity analysis information of other equity instruments belonging to Rank 3 of the fair value rank.

d. Credit risk management

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

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

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group has not had concentration of credit risk on individual customers, so credit risk should be moderate.

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

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

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

e. Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents, bank loans, 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.

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

Non-derivative financial liabilities

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
<u>2022.06.30</u>							
Short-term loans	\$370,442	\$-	\$-	\$-	\$-	\$-	\$370,442
Accounts payable	2,806,118	-	-	-	-	-	2,806,118
Lease liabilities	401,762	385,867	374,258	360,352	334,926	1,485,076	3,342,241
<u>2021.12.31</u>							
Short-term loans	\$370,457	\$-	\$-	\$-	\$-	\$-	\$370,457
Accounts payable	2,017,657	-	-	-	-	-	2,017,657
Lease liabilities	365,160	358,775	343,508	329,362	311,199	1,408,694	3,116,698
<u>2021.06.30</u>							
Short-term loans	\$370,488	\$-	\$-	\$-	\$-	\$-	\$370,488
Accounts payable	1,849,719	-	-	-	-	-	1,849,719
Lease liabilities	336,750	334,447	317,904	305,428	290,206	1,321,709	2,906,444

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities for the six months ended June 30, 2022:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2022.01.01	\$370,000	\$56,005	\$2,871,175	\$-	\$3,297,180
Cash flow	-	19,869	(188,913)	-	(169,044)
Non-cash changes					
Changes in scope of lease for the period	-	-	474,004	-	474,004
Corporate bonds conversion	-	-	-	-	-
Interest from lease liabilities	-	-	17,346	-	17,346
2022.06.30	<u>\$370,000</u>	<u>\$75,874</u>	<u>\$3,173,612</u>	<u>\$-</u>	<u>\$3,619,486</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

Information on adjustments of liabilities for the six months ended June 30, 2021:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2021.01.01	\$370,000	\$40,189	\$2,569,522	\$40,583	\$3,020,294
Cash flow	-	6,911	(158,865)	(2,000)	(153,954)
Non-cash changes					
Changes in scope of lease for the period	-	-	253,958	-	253,958
Corporate bonds conversion	-	-	-	(38,778)	(38,778)
Interest from lease liabilities	-	-	15,076	195	15,271
2021.06.30	<u>\$370,000</u>	<u>\$47,100</u>	<u>\$2,679,691</u>	<u>\$-</u>	<u>\$3,096,791</u>

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

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

3) Fair value ranked information of financial instruments

Please refer to Note 12.8 for fair value ranked information of financial instruments.

h. Fair value ranking

1) Definition of fair value ranking

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

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

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

Rank 3: unobservable input value for assets and liabilities.

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

2) Information on measurement of fair value ranks

The Group does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below:

June 30, 2022:

	Rank 1	Rank 2	Rank 3	Total
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$-	\$-	\$50,000	\$50,000

December 31, 2021: None.

June 30, 2021: None.

Transfers between Rank 1 and Rank 2 fair value ranking:

There was no transfers between Rank 1 and Rank 2 fair value ranking for the six months ended June 30, 2022 and 2021.

Details of Changes in Repetitive Fair Value Rank 3

For the Group's assets and liabilities measured at repetitive fair value that are categorized as Rank 3, adjustments from beginning to ending balance is as follows:

	Asset
	Measured at fair value through other comprehensive income
	Stock and preferred stock
2022.01.01	\$-
Acquisition/issuance in Q2 2022	50,000
2022.06.30	\$50,000

- i. Information on financial assets and financial liabilities in foreign currency with material effect: None.
- j. 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): Please see Table 1.
 - 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: Please see Table 2.
 - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Purchases from and sales to related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 3.
 - 8) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 4.

- 9) Derivatives transactions: None.
 - 10) Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries: Please see Table 8.
- b. Information on Reinvestments
- 1) Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China): Please see Table 5.
 - 2) Disclosure of Investee Information in Note 13.1 When the Company Has Control over the Investee Company:
 - a) Capital financing for others: None.
 - b) Endorsement/guarantee for others: None.
 - c) 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 6.
 - h) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of the paid-in capital: Please see Table 7.
 - i) Derivatives transactions: None.

c. Information on investments in Mainland China: None.

d. Information on Substantial Shareholders:

Name of substantial shareholder	Shares Number of shares held (shares)	Shareholding ratio
Jun Wei Investment Co., Ltd.	9,472,904	13.35%
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
Marketable securities held at the end of the period (excluding the equity of investments in subsidiaries, associates, and joint ventures)
June 30, 2022

Table 1
Unit: in NT\$1,000

Name of Held Company	Type and name of securities (Note 1)	Relationship with the issuer of the securities (Note 2)	Financial statement account	End of the Period				Remark (Note 3)
				Number of shares/ units	Carrying Amount	Shareholding ratio	Fair value	
Great Tree Pharmacy Co., Ltd.	<u>Stock</u> Top Taiwan Two Venture Capital Co.,Ltd.	-	Financial assets measured at fair value through other comprehensive income	5,000,000	\$50,000	2.50%	<u>\$50,000</u>	None
			Add: Valuation adjustment of equity instruments measured at fair value through other comprehensive income		-			
			Total		<u>\$50,000</u>			

Note 1: The marketable securities stated in this table is defined as shares, bonds, and beneficiary certificates in the scope of IAS 9 "Financial Instruments," and the marketable securities derived from the above mentioned items.

Note 2: Issuers of marketable securities that are not related persons are exempt from this column.

Note 3: For those listed marketable securities are subject to restricted use due to provision of collateral, pledged loans or other agreements, they shall be indicated in the remarks column for the number of guaranteed or pledged shares, the amount of guarantee or pledged and the restricted usage.

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital
For the Six Months Ended June 30, 2022

Table 2
Unit: in NT\$1,000

Company acquired the real property	Name of property	Date of occurrence of event	Transaction amount	Payment status	Counterparty	Relations	Information on prior transactions for counterparty of related party				Basis of reference for price determination	Purpose and use	Other agreed matters
							Owner	Relationship with the Company	Transfer date	Amount			
Great Tree Pharmacy Co., Ltd.	Taoyuan Aerotropolis Project Priority Industrial Zone Land Auction - Base B	2022.06.22	(Note)	Per the contract	Taoyuan City Government	None	None	None	None	None	A bid to Taoyuan City Government for auction	Future long-term business development are needed to increase operational performance.	None

Note: It made a joint bid with Company A and won the bid for a total price of NT\$1,679,968 thousand on July 28, 2022.

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
For the Six Months Ended June 30, 2022

Table 3
Unit: in NT\$1,000

Sales/purchase company	Name of counterparty	Relations	Transaction conditions	Amount	The ratio of total purchase (sales)	Credit period	Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Purchases (sales)				Unit price	Credit period	Balance	Ratio of total accounts receivable	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	\$1,865,741	25.93%	Offset of debts and claims	No other customers for comparison	Non-affiliate: Credit 60~120 days	Accounts receivable \$459,340	51.89%	Note
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	\$229,050	3.63%	Credit 30 days	No other vendor for comparison	Non-affiliate: Credit 60~90 days	Notes payable \$134,826 Accounts payable \$55,712	19.37% 3.22%	Note 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
June 30, 2022

Table 4
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	Provision of allowance for doubtful accounts
					Amount	Treatment		
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	\$459,340	8.87	\$-	-	\$34,053	\$-
			(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)
June 30, 2022

Table 5
Unit: in NT\$1,000

Name of investing company	Investee	Location	Major operations	Initial investment amount		Ending balance			Profit (Loss) of Investee for the Period	Investment income (loss) recognized by the Company for the period	Remark
				Ending balance for the period	Year-end in previous year	Shareholding	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%	\$82,821	\$33,598	\$27,139 (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%	\$4,465	\$1,504	\$1,504	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	\$90,000	\$30,000	9,000,000 shares	100.00%	\$75,535	\$(8,572)	\$(8,572)	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%	\$31,216	\$461	\$277	Note 2

Note 1: Includes income from investment recognized using equity method for the period of NT\$33,598 thousand, write-off for lease transaction with related party NT\$353 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\$40,788 thousand.

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
For the Six Months Ended June 30, 2022

Table 6
Unit: in NT\$1,000

Sales/purchase company	Counterparty	Relations	Transaction conditions	Amount	The ratio of total purchase (sales)	Credit period	Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Purchases (sales)				Unit price	Credit period	Balance	Ratio of total accounts and notes receivable (payable)	
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	\$229,050	99.76%	Credit 30 days	No other customers for comparison	Non-affiliate: 30~60 days credit	Notes receivable \$134,826 Accounts receivable \$55,712	100.00% 99.67%	Note Note
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$1,865,741	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable \$459,340	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
June 30, 2022

Table 7
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		Accounts receivable from related party Amount Collected Subsequent to the Balance Sheet Date	Allowance for doubtful accounts
					Amount	Treatment		
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	<u>\$190,538</u> (Note)	<u>2.44</u>	<u>\$-</u>	-	<u>\$62,635</u>	<u>\$-</u>

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Business Relationships and Significant Intercompany Transactions

Table 8
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>2022.01.01~2022.06.30</u>						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	\$229,050	Credit 30 days	3.20%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Rental revenue	3,599	-	0.05%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts receivable	64	Credit 30 days	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	16,069	-	0.18%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Dividends receivable	59,354	-	0.67%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Notes payable	134,826	Credit 30 days	1.53%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	55,712	Credit 30 days	0.63%
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	1,865,741	Offset of debts and claims	26.06%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Shipping fee	7,590	-	0.11%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	459,340	Offset of debts and claims	5.21%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Dividends receivable	8,700	-	0.07%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Other payables	124	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Rental revenue	2,429	Credit 30 days	0.03%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other income	404	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts receivable	243	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other receivables	854	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other payables	27	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Rental expenses	971	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other receivables	642	-	0.01%

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.