

**TWSE Stock code:
6469**

Great Tree Pharmacy Co., Ltd. and Subsidiaries

**Consolidated Financial Statements with Independent Auditors’
Review Report**

For the Nine Months Ended September 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
I. Cover	1
II. Table of Contents	2
III. Independent Auditors' Review Report	3
IV. Consolidated Balance Sheets	4-5
V. Consolidated Statements of Comprehensive Income	6
VI. Consolidated Statements of Changes in Equity	7
VII. Consolidated Statements of Cash Flows	8
VIII. Notes to Consolidated Financial Statements	
1. Company Overview	9
2. Dates and Procedures of Approving Financial Statements	9
3. Applicability of New and Amended Accounting Principles and Explanations	9-12
4. Explanations of Major Accounting Policies	12-14
5. Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions	14
6. Explanations of Significant Accounting Items	14-41
7. Related Party Transactions	41
8. Assets Pledged	42
9. Significant Contingent Liabilities and Unrecognized Contracts	42
10. Contingent Disaster Loss	42
11. Significant Post-reporting Period Matters	42
12. Others	42-50
13. Notes on Disclosures	
a. Information on Significant Transactions	50-51
b. Information on Reinvestments	51
c. Information on Investments in Mainland China	52
d. Information on Substantial Shareholders	52
14. Departmental Information	52

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 September 30, 2022 and 2021, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months and nine months ended September 30, 2022 and 2021, Changes in Equity and Cash Flows for the nine-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 September 30, 2022 and 2021, and its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021 and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Ernst & Young
Financial Report of TWSE Listed Company as Authorized by
the Competent Authority
Auditing and Attestation No. (2017) FSC No. 1060026003
No. (1998)TCZ(VI)65315

Lo Hsiao-Chin

Certified Public Accountant (CPA)

Mars Hong

November 10, 2022

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
September 30, 2022, December 31, 2021 and September 30, 2021
(September 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)

Asset			September 30, 2022		December 31, 2021		September 30, 2021	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6.1	\$2,629,464	26	\$1,308,469	18	\$1,108,043	16
1136	Financial assets measured at amortized cost	6.4 and 8	24,000	-	24,000	1	24,000	-
1150	Notes receivable, net	6.5	1,401	-	2,144	-	1,345	-
1170	Accounts receivable, net	6.6	455,115	5	468,728	6	401,035	6
1200	Other receivables		7,103	-	44,412	1	9,109	-
1300	Inventory	6.7	2,583,340	26	1,839,468	25	1,872,513	26
1410	Prepayments		59,894	1	41,137	1	46,903	1
1470	Other current assets		6,181	-	10,498	-	9,239	-
	Total current assets		5,766,498	58	3,738,856	52	3,472,187	49
15xx	Non-current assets							
1510	Financial assets measured at fair value through profit and loss	6.2 and 6.13	1,676	-	-	-	-	-
1517	Financial assets measured at fair value through other comprehensive income	6.3	50,000	-	-	-	-	-
1535	Financial assets measured at amortized cost	6.4 and 8	3,000	-	3,000	-	3,000	-
1600	Property, plant and equipment	6.8	788,609	8	749,832	10	741,957	10
1755	Right-of-use assets	6.19	3,162,863	32	2,768,801	37	2,772,071	39
1780	Intangible assets	6.9	27,171	-	20,530	-	17,724	-
1840	Deferred tax assets	4 and 6.22	16,944	-	11,828	-	11,992	-
1900	Other non-current assets	6.10	206,505	2	97,017	1	103,511	2
	Total non-current assets		4,256,768	42	3,651,008	48	3,650,255	51
1xxx	Total assets		\$10,023,266	100	\$7,389,864	100	\$7,122,442	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)
September 30, 2022, December 31, 2021 and September 30, 2021
(September 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			September 30, 2022		December 31, 2021		September 30, 2021	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term loans	6.11	\$370,000	4	\$370,000	5	\$370,000	5
2130	Contract liabilities	6.17	19,912	-	11,902	-	13,880	-
2150	Notes payable		672,319	7	584,117	8	452,419	6
2170	Accounts payable		1,524,939	15	1,138,318	15	1,244,808	18
2200	Other payables	6.12	308,266	3	295,222	4	242,423	3
2230	Tax liabilities for the period	4 and 6.22	87,975	1	78,312	1	49,149	1
2280	Lease liabilities	6.19	390,909	4	309,123	4	322,157	5
2300	Other current liabilities		83,071	1	26,672	1	26,074	-
	Total current liabilities		<u>3,457,391</u>	<u>35</u>	<u>2,813,666</u>	<u>38</u>	<u>2,720,910</u>	<u>38</u>
25xx	Non-current liabilities							
2530	Bonds payable	6.13	1,162,576	11	-	-	-	-
2572	Deferred tax liabilities		2,410	-	-	-	-	-
2580	Lease liabilities	6.19	2,893,886	29	2,562,052	35	2,547,545	36
2640	Net defined benefit liabilities		5,645	-	5,645	-	3,425	-
2645	Guarantee deposits		87,220	1	56,005	1	45,633	1
	Total non-current liabilities		<u>4,151,737</u>	<u>41</u>	<u>2,623,702</u>	<u>36</u>	<u>2,596,603</u>	<u>37</u>
2xxx	Total liabilities		<u>7,609,128</u>	<u>76</u>	<u>5,437,368</u>	<u>74</u>	<u>5,317,513</u>	<u>75</u>
31xx	Equity attributable to shareholders of parent company							
3100	Share capital	6.15						
3110	Ordinary share capital		891,352	9	700,431	9	700,431	10
3140	Share capital collected in advance		-	-	6,679	-	-	-
3200	Capital surplus	6.15	836,163	9	726,345	10	695,354	10
3300	Retained earnings	6.15						
3310	Legal capital reserve		133,468	1	92,969	1	92,969	1
3350	Unappropriated earnings		532,197	5	405,446	6	295,502	4
36xx	Non-controlling interests	6.15	20,958	-	20,626	-	20,673	-
3xxx	Total equity		<u>2,414,138</u>	<u>24</u>	<u>1,952,496</u>	<u>26</u>	<u>1,804,929</u>	<u>25</u>
	Total liabilities and equity		<u>\$10,023,266</u>	<u>100</u>	<u>\$7,389,864</u>	<u>100</u>	<u>\$7,122,442</u>	<u>100</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 Comprehensive Income
For the three months and nine months ended September 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	2022.07.01~2022.09.30		2021.07.01~2021.09.30		2022.01.01~2022.09.30		2021.01.01~2021.09.30	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue	6.17	\$3,613,565	100	\$2,910,850	100	\$10,772,573	100	\$8,226,671	100
5000	Operating costs		(2,633,668)	(73)	(2,151,082)	(74)	(7,855,068)	(73)	(6,078,575)	(74)
5900	Operating gross profit		979,897	27	759,768	26	2,917,505	27	2,148,096	26
6000	Operating expenses									
6100	Selling and marketing expenses		(665,904)	(18)	(542,388)	(18)	(1,957,394)	(18)	(1,548,293)	(19)
6200	General and administrative expenses		(106,121)	(3)	(88,665)	(3)	(312,670)	(3)	(250,515)	(3)
6450	Expected credit (loss) gain	6.18	186	-	-	-	-	-	-	-
	Total operating expenses		(771,839)	(21)	(631,053)	(21)	(2,270,064)	(21)	(1,798,808)	(22)
6900	Operating profit		208,058	6	128,715	5	647,441	6	349,288	4
7000	Non-operating income and expenses	6.21								
7100	Interest income		302	-	153	-	860	-	519	-
7010	Other income		7,616	-	12,642	-	35,498	-	43,535	1
7020	Other gains and losses		9,376	-	109	-	17,675	-	661	-
7050	Financing costs		(11,386)	-	(8,936)	-	(30,581)	-	(26,019)	-
	Total non-operating income and expenses		5,908	-	3,968	-	23,452	-	18,696	1
7900	Net profit before tax		213,966	6	132,683	5	670,893	6	367,984	5
7950	Income tax expenses	4 and 6.22	(44,480)	(1)	(27,714)	(1)	(138,828)	(1)	(72,548)	(1)
8200	Net income		169,486	5	104,969	4	532,065	5	295,436	4
8300	Other comprehensive income (loss)		-	-	-	-	-	-	-	-
8500	Total comprehensive income (loss)		\$169,486	5	\$104,969	4	\$532,065	5	\$295,436	4
8600	Net income attributable to:									
8610	Owners of the parent company		\$169,338	5	\$104,784	4	\$531,733	5	\$295,046	4
8620	Non-controlling interests		148	-	185	-	332	-	390	-
			\$169,486	5	\$104,969	4	\$532,065	5	\$295,436	4
8700	Total comprehensive income attributable to:									
8710	Owners of the parent company		\$169,338	5	\$104,784	4	\$531,733	5	\$295,046	4
8720	Non-controlling interests		148	-	185	-	332	-	390	-
			\$169,486	5	\$104,969	4	\$532,065	5	\$295,436	4
9750	Basic EPS (NT\$)	6.23	\$1.90		\$1.19		\$5.97		\$3.36	
9850	Diluted EPS (NT\$)	6.23	\$1.85		\$1.15		\$5.80		\$3.25	

(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 Nine Months Ended September 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	Equity attributable to shareholders of parent company					Total	Non-controlling interests	Total equity
		Share capital	Share capital collected in advance	Capital surplus	Retained earnings				
					Legal capital reserve	Unappropriated earnings			
		3100	3140	3200	3310	3350	31XX	36XX	3XXX
A1	Balance as of January 1, 2021	\$530,659	\$2,787	\$658,506	\$73,419	\$233,891	\$1,499,262	\$20,283	\$1,519,545
	Appropriation of earnings in 2020								
B1	Legal capital reserve				19,550	(19,550)	-		-
B5	Cash dividends					(53,471)	(53,471)		(53,471)
B9	Share dividends	160,414				(160,414)	-		-
D1	Net income for the nine months ended September 30, 2021					295,046	295,046	390	295,436
D3	Other comprehensive income (loss) for the nine months ended September 30, 2021					-	-	-	-
D5	Total comprehensive income (loss)	-	-	-	-	295,046	295,046	390	295,436
I1	Convertible corporate bond conversion	9,358	(2,787)	32,207			38,778		38,778
T1	Others - issuance of employee stock options			4,641			4,641		4,641
Z1	Balance as of September 30, 2021	\$700,431	\$-	\$695,354	\$92,969	\$295,502	\$1,784,256	\$20,673	\$1,804,929
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 of earnings in 2021								
B1	Legal capital reserve				40,499	(40,499)	-		-
B5	Cash dividends					(182,242)	(182,242)		(182,242)
B9	Share dividends	182,241				(182,241)	-		-
C5	Recognized equity components arising from the issuance of convertible bonds - stock options			97,348			97,348		97,348
D1	Net income for the nine months ended September 30, 2022					531,733	531,733	332	532,065
D3	Other comprehensive income (loss) for the nine months ended September 30, 2022					-	-	-	-
D5	Total comprehensive income (loss)	-	-	-	-	531,733	531,733	332	532,065
N1	Share-based payment transactions	8,680	(6,679)	8,820			10,821		10,821
T1	Others - issuance of employee stock options			3,650			3,650		3,650
Z1	Balance as of September 30, 2022	\$891,352	\$-	\$836,163	\$133,468	\$532,197	\$2,393,180	\$20,958	\$2,414,138

(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 Nine Months Ended September 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~ 2022.09.30	2021.01.01~ 2021.09.30	Code	Item	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for the period	\$670,893	\$367,984	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	(209,854)	(215,950)
A20010	Adjustments:			B02800	Disposal of property, plant and equipment	7,364	3,286
A20100	Depreciation expense (including right-of-use assets)	440,428	363,124	B03700	(Increase) decrease in refundable deposits	(103,167)	(14,495)
A20200	Amortization expenses	3,897	2,707	B04500	Acquisition of intangible assets	(10,538)	(2,413)
A20400	Net loss on financial assets measured at fair value through profit and loss	378	-	BBBB	Net cash inflow (outflow) from investing activities	(366,195)	(229,572)
A20900	Interest expenses	30,581	26,019				
A21200	Interest income	(860)	(519)		Cash flow from financing activities:		
A21900	Cost of share-based payments	3,650	4,641	C01200	Issuance of corporate bonds	1,257,088	-
A22500	Gain on disposal of property, plant and equipment	(1,123)	(101)	C00130	Repayments of bonds	-	(2,000)
A29900	Other item - gain on lease modification	(502)	(2,598)	C03000	Increase (decrease) in guarantee deposits received	31,215	5,444
A30000	Changes in assets/liabilities related to operating activities:			C04020	Repayment of principal on loan	(292,969)	(243,395)
A31130	(Increase) decrease in notes receivable	743	3,172	C04500	Cash dividends	(182,242)	(53,471)
A31150	(Increase) decrease in accounts receivable	13,613	(89,921)	C04800	Employees exercising share option	10,821	-
A31180	(Increase) decrease in other receivables	37,309	61,916	CCCC	Net cash inflow (outflow) from financing activities	823,913	(293,422)
A31200	(Increase) decrease in inventory, net	(743,872)	(410,268)				
A31230	(Increase) decrease in prepayments	(18,757)	(12,645)	EEEE	Increase (decrease) in cash and cash equivalents for the period	1,320,995	272,241
A31240	(Increase) decrease in other current assets	4,317	(5,782)	E00100	Beginning balance of cash and cash equivalents	1,308,469	835,802
A32125	Increase (decrease) in contract liabilities	8,010	5,776	E00200	Ending balance of cash and cash equivalents	\$2,629,464	\$1,108,043
A32130	Increase (decrease) in notes payables	88,202	102,096				
A32150	Increase (decrease) in accounts payables	386,621	425,135				
A32180	Increase (decrease) in other payables	17,530	17,567				
A32230	Increase (decrease) in other current liabilities	56,399	2,564				
A33000	Cash inflow (outflow) from operating activities	997,457	860,867				
A33100	Interest received	860	519				
A33300	Interest paid	(3,169)	(2,711)				
A33500	Income tax paid	(131,871)	(63,440)				
AAAA	Net cash inflow (outflow) from operating activities	863,277	795,235				

(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 Nine Months Ended September 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 nine months ended September 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 November 10, 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

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) 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
4	Lease liabilities of sales and leaseback (amendment to IFRS 6)	January 1, 2024
5	Non-current liabilities in contracts (amendment to IAS 1)	January 1, 2024

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

This project addresses the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that

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

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

2) IFRS 17 - Insurance Contracts

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

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

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

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

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

4) Lease liabilities of sales and leaseback (amendment to IFRS 6)

This is an additional accounting treatment for IFRS 16 "Leases" for an increase in sales and leaseback transactions of sellers and lessees to ensure consistent application of the standard.

5) Non-current liabilities in contracts (amendment to IAS 1)

This amendment enhances the information on long-term liabilities contracts provided by enterprises. It describes the contractual obligations to be complied with for the 12 months after the reporting period without affecting the classification of these liabilities as current or non-current at the end of the reporting period.

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 nine months ended September 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.

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)

The consolidated entities are listed as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%)			Explanation
			2022.09.30	2021.12.31	2021.09.30	
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
The Company	Greentree Pharmacy Hong Kong Limited	Investment business	100%	-	-	Note 1
The Company	GREAT TREE INTERNATIONAL SDN. BHD.	Wholesale and retail business	100%	-	-	Note 2
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Real estate sales and lease	60%	60%	60%	None

Note 1: On November 11, 2021, the Company's Board of Directors resolved to invest directly in the establishment of Greentree Pharmacy Hong Kong Limited, a 100%-owned subsidiary, for the purpose of expanding its business in Mainland China. The registration was completed on April 8, 2022. As of September 30, 2022, the investment amount had not been remitted.

Note 2: On May 12, 2022, the Company's Board of Directors resolved to invest directly in the establishment of GREAT TREE INTERNATIONAL SDN. BHD., a 100%-owned subsidiary, for the purpose of developing its overseas business. The registration was completed on August 12, 2022. As of September 30, 2022, the investment amount had not been remitted.

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

	2022.09.30	2021.12.31	2021.09.30
Cash on hand and petty cash	\$10,426	\$9,046	\$8,738
Checks and demand deposit	2,504,488	1,184,873	984,755
Fixed deposit	114,550	114,550	114,550
Total	<u>\$2,629,464</u>	<u>\$1,308,469</u>	<u>\$1,108,043</u>

b. Financial assets measured at fair value through profit and loss

	2022.09.30	2021.12.31	2021.09.30
Measured at fair value through profit and loss:			
Convertible corporate bonds	\$1,676	\$-	\$-
Current	\$-	\$-	\$-
Non-current	1,676	-	-
Total	<u>\$1,676</u>	<u>\$-</u>	<u>\$-</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)

There was no Group's endorsement/guarantee provided for financial assets measured at fair value through profit and loss.

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

	2022.09.30	2021.12.31	2021.09.30
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.

d. Financial assets measured at amortized cost

	2022.09.30	2021.12.31	2021.09.30
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.

e. Notes receivable, net

	2022.09.30	2021.12.31	2021.09.30
Notes receivable - from operating activities	\$1,401	\$2,144	\$1,345
Less: allowance for loss	-	-	-
Total	<u>\$1,401</u>	<u>\$2,144</u>	<u>\$1,345</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)

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 6.18, and please refer to Note 12 for information on credit risk.

f. Accounts receivable, net

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

	2022.09.30	2021.12.31	2021.09.30
Total accounts receivable	\$455,732	\$469,345	\$401,736
Less: allowance for loss	(617)	(617)	(701)
Net balance	\$455,115	\$468,728	\$401,035

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\$455,732 thousand, NT\$469,345 thousand and NT\$401,736 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively. Please refer to Note 6.18 for information related to allowance for impairment loss for the nine months ended September 30, 2022 and 2021. Please refer to Note 12 for information on credit risk.

g. Inventory

1) Net inventory is as follows:

	2022.09.30	2021.12.31	2021.09.30
Work-in-progress	\$1,747	\$66	\$2,002
Commodity	2,581,593	1,839,402	1,870,511
Total	\$2,583,340	\$1,839,468	\$1,872,513

2) The Group recognized the cost of inventories NT\$2,633,668 thousand and NT\$2,151,082 thousand as expenses for the three months ended September 30, 2022 and 2021, respectively. The cost of inventories recognized as expenses for the nine months ended September 30, 2022 and 2021 were NT\$7,855,068 thousand and NT\$6,078,575 thousand, respectively. These expenses include the following:

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)

Item	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Allowance for inventory valuation and obsolescence loss (gains on recovery)	\$7,514	\$(2,349)	\$7,627	\$3,231
Loss (profit) on physical inventory	4,211	1,757	7,499	1,160
Inventory scrap loss	228	5,081	5,766	9,529
Total	<u>\$11,953</u>	<u>\$4,489</u>	<u>\$20,892</u>	<u>\$13,920</u>

For the three months ended September 30, 2021, due to the valuation that the partial inventory 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.

h. 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	-	-	103,032	74,454	21,561	199,047
Disposal	-	-	(1,996)	(3,543)	(3,931)	(9,470)
Transfer	-	-	-	-	-	-
2022.09.30	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$513,047</u>	<u>\$625,026</u>	<u>\$334,352</u>	<u>\$1,535,346</u>
2021.01.01	\$48,583	\$14,338	\$344,607	\$463,629	\$223,882	\$1,095,039
Acquisition	-	-	41,862	65,844	92,245	199,951
Disposal	-	-	(840)	(124)	(2,331)	(3,295)
Transfer	-	-	-	-	-	-
2021.09.30	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$385,629</u>	<u>\$529,349</u>	<u>\$313,796</u>	<u>\$1,291,695</u>
Depreciation and impairment:						
2022.01.01	\$3,826	\$13,582	\$237,053	\$234,835	\$106,641	\$595,937
Depreciation	2,441	375	47,037	60,475	43,701	154,029
Disposal	-	-	(752)	(1,054)	(1,423)	(3,229)
Transfer	-	-	-	-	-	-
2022.09.30	<u>\$6,267</u>	<u>\$13,957</u>	<u>\$283,338</u>	<u>\$294,256</u>	<u>\$148,919</u>	<u>\$746,737</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)

	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	2,277	520	37,019	47,607	37,174	124,597
Disposal	-	-	(28)	(4)	(78)	(110)
Transfer	-	-	-	-	-	-
2021.09.30	<u>\$3,067</u>	<u>\$13,451</u>	<u>\$223,495</u>	<u>\$217,237</u>	<u>\$92,488</u>	<u>\$549,738</u>
Net carrying amount:						
2022.09.30	<u>\$42,316</u>	<u>\$381</u>	<u>\$229,709</u>	<u>\$330,770</u>	<u>\$185,433</u>	<u>\$788,609</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>
2021.09.30	<u>\$45,516</u>	<u>\$887</u>	<u>\$162,134</u>	<u>\$312,112</u>	<u>\$221,308</u>	<u>\$741,957</u>

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

i. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2022.01.01	\$14,145	\$14,286	\$28,431
Acquisition - separately acquired	10,538	-	10,538
Derecognized at the end of useful life	-	-	-
2022.09.30	<u>\$24,683</u>	<u>\$14,286</u>	<u>\$38,969</u>
2021.01.01	\$8,110	\$14,286	\$22,396
Acquisition - separately acquired	2,413	-	2,413
Derecognized at the end of useful life	-	-	-
2021.09.30	<u>\$10,523</u>	<u>\$14,286</u>	<u>\$24,809</u>
Amortization and impairment:			
2022.01.01	\$7,901	\$-	\$7,901
Amortization	3,897	-	3,897
Impairment loss	-	-	-
Derecognized at the end of useful life	-	-	-
2022.09.30	<u>\$11,798</u>	<u>\$-</u>	<u>\$11,798</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)

	Computer software	Trademarks	Total
2021.01.01	\$4,378	\$-	\$4,378
Amortization	2,707	-	2,707
Impairment loss	-	-	-
Derecognized at the end of useful life	-	-	-
2021.09.30	\$7,085	\$-	\$7,085
Net carrying amount:			
2022.09.30	\$12,885	\$14,286	\$27,171
2021.12.31	\$6,244	\$14,286	\$20,530
2021.09.30	\$3,438	\$14,286	\$17,724

Amortization for recognition of intangible assets is as follows:

Items	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Operating expenses	\$1,742	\$1,039	\$3,897	\$2,707

j. Other non-current assets

	2022.09.30	2021.12.31	2021.09.30
Prepaid equipment	\$9,381	\$3,060	\$12,288
Refundable deposits	197,124	93,957	91,223
Total	\$206,505	\$97,017	\$103,511

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. The deposit of NT\$83,877 thousand was paid and recognized under refundable deposits. It won the bid for a total price of NT\$1,679,968 thousand on July 28, 2022.

k. Short-term loans

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

	Range of interest rates (%)	2022.09.30	2021.12.31	2021.09.30
Unsecured bank loan	0.83%~1.18%	\$370,000	\$370,000	\$370,000

2) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's unused short-term loan credits are NT\$131,625 thousand, NT\$92,960 thousand and NT\$94,575 thousand, respectively.

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)

l. Other payables

	2022.09.30	2021.12.31	2021.09.30
Expenses payable	\$287,102	\$269,572	\$229,119
Equipment payable	21,127	25,613	13,267
Net defined benefit liability - current	37	37	37
Total	\$308,266	\$295,222	\$242,423

m. Bonds payable

- 1) The Group had no balance of corporate bonds payable as of December 31, 2021 and September 30, 2021. Details of corporate bonds payable as of September 30, 2022 are as follows:

	2022.09.30
Liabilities:	
Par value of domestic convertible corporate bonds payable	\$1,220,000
Less: discount on domestic convertible corporate bonds payable	(57,424)
Subtotal	1,162,576
Less: portion due within one year	-
Net balance	\$1,162,576
 Embedded derivative financial instruments - Redemption of put rights	\$1,676
Equity - conversion rights	\$97,348

Please refer to Note 6.21(4) for the valuation gain or loss on embedded derivative financial instruments - redemption of put rights and the amount of interest expenses recognized on corporate bonds.

- 2) On September 12, 2022, the Company issued the second domestic unsecured convertible corporate bonds with the major terms as follows:

(A) Total issuance amount:	NT\$1,000,000 thousand
(B) Issuance date:	2022.09.12
(C) Issuance price:	Issued at 104.21% of par value
(D) Coupon rate:	0%

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)

- (E) Issuance period: 2022.09.12 ~ 2025.09.12
- (F) Repayment at maturity: The Company shall repay the convertible corporate bonds held by the holders of the convertible corporate bonds (hereinafter referred to as the "Bondholders") at par value in one lump sum in cash within 10 business days from the day after the maturity of the convertible corporate bonds, except for the conversion of the convertible corporate bonds by the Bondholders into common shares of the Company in accordance with Article 10 of this regulation, and the early redemption by the Company, or cancellation by purchase from the Taipei Exchange in accordance with Article 18 of this regulation.
- (G) Conversion period: The Bondholders may request the conversion of the convertible corporate bonds from the day after three months following the issuance of the convertible corporate bonds (December 13, 2022) until the maturity date, except for (I) the period during which the transfer of common shares is suspended in accordance with the law; (II) the period from fifteen business days prior to the date of cessation of transfer of the Company's bonus shares, the date of cessation of transfer of the cash dividends or the date of cessation of transfer of the cash capital increase to the base date of distribution of rights; (III) the period from the base date of the capital reduction to the day before the commencement of trading of the new shares; (IV) the period from the beginning of the cessation of conversion for the change of the par value of shares to the day before the commencement of trading of the new shares, and may at any time request the Company's stock agent to convert the convertible corporate bonds into the Company's common shares in accordance with the requirements of the regulations by notifying Taiwan Depository & Clearing Corporation (the "TDCC") through securities firms.
- (H) Conversion price and its adjustments: The conversion price is set at NT\$304.98 per share at the time of issuance. In the event that

the conversion price of the Company's common stock or stock options is adjusted in accordance with the terms of the issuance, the conversion price will be adjusted in accordance with the formula set forth in the terms of the issuance.

- (I) Redemption rights of the Company:
- (I) From the day after the expiration of three months following the issuance of the convertible corporate bonds (December 13, 2022) to the 40th day before the expiry of the issuance period (August 3, 2025), if the closing price of the Company's common stock exceeds the then prevailing conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send to the Bondholders by registered mail a "Notice of Bond Redemption" with a 30-day expiration date (the aforementioned period shall be counted from the date of issuance of the letter by the Company, and the expiration date of such period shall be the base date of the bond redemption. The aforementioned period shall not be the period of cessation of conversion under Article 9) (whichever is stated in the Bondholders' register on the fifth business day prior to the date of the mailing of the "Notice of Bond Redemption", or by way of announcement for the Bondholders who subsequently acquire the convertible corporate bonds through trading or other reasons). The redemption price is set at the par value of the bonds. All bonds shall be redeemed in cash, and a letter will be sent to the Taipei Exchange for announcement. The Company shall execute the call request and redeem the convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.
- (II) From the day after three months following the issuance of the convertible corporate bonds (December 13, 2022) to the 40th day before the expiry of the issuance period (August 3, 2025), if the outstanding balance of the convertible corporate bonds is less than 10% of the original issue amount, the Company may, at any time, send to the Bondholders by registered mail a "Notice of

Bond Redemption" with a 30-day expiration date (the aforementioned period shall be counted from the date of issuance of the letter by the Company, and the expiration date of such period shall be the base date of the bond redemption. The aforementioned period shall not be the period of cessation of conversion under Article 9) (whichever is stated in the Bondholders' register on the fifth business day prior to the date of the mailing of the "Notice of Bond Redemption", or by way of announcement for the Bondholders who subsequently acquire the convertible corporate bonds through trading or other reasons). The redemption price is set at the par value of the bonds. All bonds shall be redeemed in cash, and a letter will be sent to the Taipei Exchange for announcement. The Company shall execute the call request and redeem the outstanding convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.

(III) If the creditor does not reply to the Company's stock agent in writing before the base date of bond redemption as stated in the "Notice of Bond Redemption" (effective upon delivery, adopting postmark date if mailed), the Company will redeem the convertible corporate bonds at par value in cash within five business days after the base date of bond redemption.

(IV) If the Company executes the call request, the deadline for the Bondholders to request the conversion is the second business day after the date of termination of trading of the convertible corporate bonds on the Taipei Exchange.

- 3) On September 29, 2022, the Company issued the first domestic private placement of convertible corporate bonds with the major terms as follows:
- (A) Total issuance amount: NT\$22,000 thousand
 - (B) Issuance date: 2022.09.29
 - (C) Issuance price: Issued at 100% of par value
 - (D) Coupon rate: 0%

- (E) Issuance period: 2022.09.29~2025.09.29
- (F) Repayment at maturity: The Company shall repay the bonds at par value in one lump sum in cash upon the maturity of the private placement of convertible corporate bonds, except for the conversion of the private placement of convertible corporate bonds by the holders of the private placement of convertible corporate bonds (hereinafter referred to as the "Bondholders") into common shares of the Company in accordance with Article 10 of this regulation, or the early redemption by the Company in accordance with Article 17 of this regulation, or the exercising of the put rights by the Bondholders in accordance with Article 18 of this regulation.
- (G) Conversion period: The Bondholders may request the conversion of the private placement of convertible corporate bonds from the day after three months following the issuance of the private placement of convertible corporate bonds (December 30, 2022) until the maturity date (September 29, 2025), except for (I) the period during which the transfer of common shares is suspended in accordance with the law; (II) the period from fifteen business days prior to the date of cessation of transfer of the Company's bonus shares, the date of cessation of transfer of the cash dividends or the date of cessation of transfer of the cash capital increase to the base date of distribution of rights; (III) the period from the base date of the capital reduction to the day before the commencement of trading of the new shares; (IV) the period from the beginning of the cessation of conversion for the change of the par value of shares to the day before the commencement of trading of the new shares, and may at any time request the Company's stock agent to convert the private placement of convertible corporate bonds held into the Company's common shares in accordance with the requirements of the regulations.
- (H) Conversion price and its adjustments: The conversion price is set at NT\$270.5 per share at the time of issuance. In the event that the conversion price of the Company's

common stock or stock options is adjusted in accordance with the terms of the issuance, the conversion price will be adjusted in accordance with the formula set forth in the terms of the issuance.

- (I) Redemption rights of the Company:
- (I) From the day after three months following the issuance of the private placement of convertible corporate bonds (December 30, 2022) to the 40th day before the expiry of the issuance period (August 21, 2025), if the closing price of the Company's common stock exceeds the then prevailing conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, send to the Bondholders by registered mail a "Notice of Bond Redemption" with a 30-day expiration date (the aforementioned period shall be counted from the date of issuance of the letter by the Company, and the expiration date of such period shall be the base date of the bond redemption. The aforementioned period shall not be the period of cessation of conversion under Article 9). All the outstanding private placement of convertible corporate bonds will be redeemed in cash at par value within five business days after the base date bond redemption.
- (II) From the day after three months following the issuance of the private placement of convertible corporate bonds (December 30, 2022) to the 40th day before the expiry of the issuance period (August 21, 2025), if the outstanding balance of the private placement of convertible corporate bonds is less than 10% of the total par value of the original issue, the Company may, at any time, send to the Bondholders by registered mail a "Notice of Bond Redemption" with a 30-day expiration date (the aforementioned period shall be counted from the date of issuance of the letter by the Company, and the expiration date of such period shall be the base date of the bond redemption. The aforementioned period shall not be the period of cessation of conversion under Article 9). All the outstanding private placement of convertible corporate bonds will be redeemed in cash at par value within five

business days after the base date bond redemption.

(III) If the Bondholders do not reply to the Company's stock agent in writing before the base date of bond redemption as stated in the "Notice of Bond Redemption" (effective upon delivery, adopting postmark date if mailed), the Company will redeem all the outstanding private placement of convertible corporate bonds at par value in cash within five business days after the base date of bond redemption.

n. Retirement pension plan

Defined allocation plan

The Group recognized defined allocation expense of NT\$11,747 thousand and NT\$9,799 thousand for the three months ended September 30, 2022 and 2021, respectively. The Group recognized defined allocation expense of NT\$33,277 thousand and NT\$28,764 thousand for the nine months ended September 30, 2022 and 2021, respectively.

Defined benefit plan

The expense of the defined benefit plan of the Group for the three-month period ended September 30, 2022 and 2021 were both NT\$55 thousand. The expense of the defined benefit plan of the Group for the nine-month period ended September 30, 2022 and 2021 were both NT\$167 thousand.

o. Equity

1) Ordinary Shares

As of September 30, 2022, December 31, 2021 and September 30, 2021, the authorized share capital of the Company was all NT\$1,500,000 thousand; in addition, the issued share capital was NT\$891,352 thousand, NT\$700,431 thousand, and NT\$700,431 thousand, respectively, with 89,135 thousand shares, 70,043 thousand shares, and 70,043 thousand shares, respectively, issued at par value of NT\$10. Each share has one voting right and the right to receive dividends.

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 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 the paid-in capital after the increase is NT\$891,352 thousand with par value of NT\$10 at 89,135 thousand shares.

2) Capital surplus

	2022.09.30	2021.12.31	2021.09.30
Share premium of ordinary shares	\$723,060	\$714,240	\$684,781
Employee stock options	12,610	9,148	7,859
Stock options	97,348	-	-
Expired stock options	3,145	2,957	2,714
Total	\$836,163	\$726,345	\$695,354

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.

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 6.20 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~ 2022.09.30	2021.01.01~ 2021.09.30
Beginning balance	\$20,626	\$20,283
Net income (loss) attributable to non-controlling interests for the period	332	390
Ending balance	<u>\$20,958</u>	<u>\$20,673</u>

p. 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	\$43.00
2020.10.27	2,017	\$52.90

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.

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) Information on the employee stock option plan issued for the nine months ended September 30, 2022 and 2021.

	2022.01.01~2022.09.30		2021.01.01~2021.09.30	
	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	\$78.48
Stock subscriptions for the period	(200)	54.10	-	-
Stock options expired for the period	(63)	-	-	-
Outstanding stock options on September 30	<u>2,840</u>	<u>\$49.57</u>	<u>3,896</u>	<u>\$60.52</u>
Executable stock options on September 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 September 30, 2022, December 31, 2021 and September 30, 2021:

<u>2022.09.30</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$43.00	3.17 years
Granted on October 27, 2020	\$52.90	4.07 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>2021.09.30</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$54.10	4.17 years
Granted on October 27, 2020	\$66.50	5.07 years

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)

- 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)	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
	\$1,207	\$1,547	\$3,650	\$4,641

- q. Operating revenue

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Revenue from customer contracts				
Revenue from sale of goods	\$3,600,385	\$2,900,236	\$10,735,925	\$8,195,227
Revenue from provision of service	11,544	8,436	31,741	24,911
Others	1,636	2,178	4,907	6,533
Total	<u>\$3,613,565</u>	<u>\$2,910,850</u>	<u>\$10,772,573</u>	<u>\$8,226,671</u>

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

- 1) Breakdown of revenue

	Single department			
	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Sales of goods	\$3,600,385	\$2,900,236	\$10,735,925	\$8,195,227
Service revenue	11,544	8,436	31,741	24,911
Others	1,636	2,178	4,907	6,533
Total	<u>\$3,613,565</u>	<u>\$2,910,850</u>	<u>\$10,772,573</u>	<u>\$8,226,671</u>
Timing of revenue recognition:				
At a fixed point in time	\$3,611,929	\$2,908,672	\$10,767,666	\$8,220,138
Over a period of time	1,636	2,178	4,907	6,533
Total	<u>\$3,613,565</u>	<u>\$2,910,850</u>	<u>\$10,772,573</u>	<u>\$8,226,671</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)

2) Contract balance

a) Contract liability - current

	2022.09.30	2021.12.31	2021.09.30	2021.01.01
Sales of goods	\$559	\$627	\$527	\$502
Customer loyalty program	19,353	11,275	13,353	7,602
Total	<u>\$19,912</u>	<u>\$11,902</u>	<u>\$13,880</u>	<u>\$8,104</u>

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

	<u>Sales of goods</u>	<u>Customer loyalty program</u>
Beginning balance is recognized as revenue for the period	\$(122)	\$(3,324)
Increase in advance payment for the period	54	11,402

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

	<u>Sales of goods</u>	<u>Customer loyalty program</u>
Beginning balance is recognized as revenue for the period	\$(14)	\$(2,410)
Increase in advance payment for the period	39	8,161

r. Expected credit loss (gain)

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Operating expenses - expected credit loss (gain on reversal)				
Receivables	<u>\$(186)</u>	<u>\$-</u>	<u>\$-</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 September 30, 2022, December 31, 2021 and September 30, 2021 can be found in the following:

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)

September 30, 2022

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$456,967	\$38	\$128	\$457,133
Rate of loss	0.10%	50%	100%	
Expected lifetime credit loss	(470)	(19)	(128)	(617)
Carrying Amount	\$456,497	\$19	\$-	\$456,516

December 31, 2021

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

September 30, 2021

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$403,014	\$27	\$40	\$403,081
Rate of loss	0.16%	100%	100%	
Expected lifetime credit loss	(634)	(27)	(40)	(701)
Carrying Amount	\$402,380	\$-	\$-	\$402,380

None 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 nine months ended September 30, 2022 and 2021 is as:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$617
Increase (decrease) in the period	-	-
2022.09.30	\$-	\$617
2021.01.01	\$-	\$701
Increase (decrease) in the period	-	-
2021.09.30	\$-	\$701

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)

s. 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	718,002
Disposal	(38,171)
2022.09.30	\$4,824,164
2021.01.01	\$3,557,999
Acquisition	610,712
Disposal	(107,278)
2021.09.30	\$4,061,433
Depreciation and impairment:	
2022.01.01	\$1,375,532
Depreciation	286,399
Disposal	(630)
2022.09.30	\$1,661,301
2021.01.01	\$1,070,461
Depreciation	238,527
Disposal	(19,626)
2021.09.30	\$1,289,362
Carrying amount:	
2022.09.30	\$3,162,863
2021.12.31	\$2,768,801
2021.09.30	\$2,772,071

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)

ii. Lease liabilities

	2022.09.30	2021.12.31	2021.09.30
Lease liabilities	\$3,284,795	\$2,871,175	\$2,869,702
Current	\$390,909	\$309,123	\$322,157
Non-current	\$2,893,886	\$2,562,052	\$2,547,545

Please refer to Note 6. 21(4) Financing Costs for the Group's interest expense for lease liabilities for the three months and nine months ended September 30, 2022 and 2021; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of September 30, 2022, December 31, 2021 and September 30, 2021.

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

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Short-term lease expense	\$(9,568)	\$(3,132)	\$(34,971)	\$(15,037)
Revenue from sublease of right-of-use assets	\$6,187	\$9,069	\$25,015	\$25,188

As of September 30, 2022, December 31, 2021, and September 30, 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

	2022.01.01~2022.09.30	2021.01.01~2021.09.30
Total cash flows on lease	\$327,940	\$258,432

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.

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Lease revenue recognized from operating lease				
Fixed lease payment	\$6,187	\$9,069	\$25,015	\$25,188

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

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)

	2022.09.30	2021.12.31	2021.09.30
Less than one year	\$28,203	\$30,980	\$31,377
More than 1 but no more than 2 years	20,283	25,388	27,843
More than 2 but no more than 3 years	19,733	20,108	20,317
More than 3 but no more than 4 years	18,593	19,789	19,772
More than 4 but no more than 5 years	12,132	17,040	18,624
More than 5 years	71,353	88,079	94,171
Total	<u>\$170,297</u>	<u>\$201,384</u>	<u>\$212,104</u>

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

Function Characteristic	2022.07.01~2022.09.30			2021.07.01~2021.09.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$230,404	\$230,404	\$-	\$185,465	\$185,465
Labor and health insurance expenses	-	25,186	25,186	-	20,544	20,544
Pension expenses	-	11,802	11,802	-	9,855	9,855
Other employee benefit expenses	-	18,151	18,151	-	14,174	14,174
Depreciation expenses	1,657	152,405	154,062	1,461	125,246	126,707
Amortization expenses	-	1,742	1,742	-	1,039	1,039

Function Characteristic	2022.01.01~2022.09.30			2021.01.01~2021.09.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$691,231	\$691,231	\$-	\$547,232	\$547,232
Labor and health insurance expenses	-	70,367	70,367	-	59,174	59,174
Pension expenses	-	33,444	33,444	-	28,932	28,932
Other employee benefit expenses	-	51,406	51,406	-	40,086	40,086
Depreciation expenses	4,971	435,457	440,428	4,709	358,415	363,124
Amortization expenses	-	3,897	3,897	-	2,707	2,707

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)

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 September 30, 2022 were NT\$6,291 thousand and NT\$1,866 thousand, respectively. For the nine months period ended September 30, 2022, employee compensation and remunerations of the Directors of NT\$20,275 thousand and NT\$6,015 thousand, respectively. Employee compensation and remunerations of the Directors and Supervisors recognized for the three months ended September 30, 2021 were NT\$3,990 thousand and NT\$1,184 thousand, respectively, and for the nine months period ended September 30, 2021, employee compensation and remunerations of the Directors and Supervisors of NT\$11,050 thousand and NT\$3,278 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.

u. Non-operating income and expenses

1) Interest income

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Financial assets measured at amortized cost	\$302	\$153	\$860	\$519

2) Other income

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Rental revenue	\$6,187	\$9,069	\$25,015	\$25,188
Other income - others	1,429	3,573	10,483	18,347
Total	\$7,616	\$12,642	\$35,498	\$43,535

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)

3) Other gains and losses

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Gain (loss) from foreign exchange, net	\$8,631	\$200	\$16,434	\$(1,371)
Gains on lease modifications	-	-	502	2,598
Gain (loss) on disposal of property, plant and equipment	1,123	-	1,123	101
Financial assets gain (loss) measured at fair value through profit and loss	(378)	-	(378)	-
Other expenditures - other	-	(91)	(6)	(667)
Total	<u>\$9,376</u>	<u>\$109</u>	<u>\$17,675</u>	<u>\$661</u>

(4) Financing costs

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Interest from bank loans	\$1,320	\$899	\$3,169	\$2,711
Interest expense from corporate bonds	782	-	782	195
Interest from lease liabilities	9,284	8,037	26,630	23,113
Total	<u>\$11,386</u>	<u>\$8,936</u>	<u>\$30,581</u>	<u>\$26,019</u>

v. Income tax

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

Income tax recognized in profit or loss

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Current tax expenses (gains):				
Current tax payable	\$46,430	\$28,085	\$141,421	\$76,674
Adjustments in respect of current income tax of prior periods	(1)	-	113	124
Deferred tax expenses (gains):				
Deferred tax expenses related to initial recognition of temporary difference and its reversal	(1,949)	(371)	(2,706)	(4,250)
Income tax expenses	<u>\$44,480</u>	<u>\$27,714</u>	<u>\$138,828</u>	<u>\$72,548</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)

2) Filing and review of income tax

As of September 30, 2022, the income tax returns of the Company and its subsidiaries were assessed and approved as follows:

	<u>Filing and review of income tax</u>
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

w. Earnings per Share

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

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

1) Basic EPS

	<u>2022.07.01~ 2022.09.30</u>	<u>2021.07.01~ 2021.09.30</u>	<u>2022.01.01~ 2022.09.30</u>	<u>2021.01.01~ 2021.09.30</u>
Net profit attributable to holders of the parent company's ordinary shares	<u>\$169,338</u>	<u>\$104,784</u>	<u>\$ 531,733</u>	<u>\$295,046</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	<u>89,135</u>	<u>87,990</u>	<u>89,085</u>	<u>87,778</u>
Basic EPS (NT\$)	<u>\$1.90</u>	<u>\$1.19</u>	<u>\$5.97</u>	<u>\$3.36</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)

2) Diluted EPS

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Net profit attributable to holders of the parent company's ordinary shares	\$169,338	\$104,784	\$531,733	\$295,046
Valuation gain or loss on the issuance of domestic corporate bonds	378	-	378	-
Interest from convertible bonds	642	-	642	174
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	<u>\$170,358</u>	<u>\$104,784</u>	<u>\$532,753</u>	<u>\$295,220</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	89,135	87,990	89,085	87,778
Dilutive effect:				
Employee stock options (in 1,000 shares)	2,354	2,751	2,404	2,751
Employee bonus - shares (in 1,000 shares)	73	54	85	72
Convertible bonds (in 1,000 shares)	695	-	234	245
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	<u>92,257</u>	<u>90,795</u>	<u>91,808</u>	<u>90,846</u>
Diluted EPS (NT\$)	<u>\$1.85</u>	<u>\$1.15</u>	<u>\$5.80</u>	<u>\$3.25</u>

- 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

	2022.07.01~ 2022.09.30	2021.07.01~ 2021.09.30	2022.01.01~ 2022.09.30	2021.01.01~ 2021.09.30
Short-term employee benefits	\$4,709	\$4,633	\$14,199	\$13,443
Retirement benefits	172	167	516	500
Share-based payment	196	226	588	679
Total	<u>\$5,077</u>	<u>\$5,026</u>	<u>\$15,303</u>	<u>\$14,622</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)

8. Assets Pledged

The Group has pledged the following assets as collateral:

Item	Carrying Amount			Content of the secured liabilities
	2022.09.30	2021.12.31	2021.09.30	
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	\$27,000	\$27,000	\$27,000	

9. Significant Contingent Liabilities and Unrecognized Contracts

N/A.

10. Contingent Disaster Loss

N/A.

11. Significant Post-reporting Period Matters

N/A.

12. Others

a. Categories of financial instruments

Financial assets

	2022.09.30	2021.12.31	2021.09.30
Financial assets measured at fair value through profit and loss			
Mandatorily measured at fair value through profit and loss	\$1,676	\$-	\$-
Financial assets measured at fair value through other comprehensive income	50,000	-	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	2,629,464	1,308,469	1,108,043
Financial assets measured at amortized cost	27,000	27,000	27,000
Notes receivable, net	1,401	2,144	1,345
Accounts receivable, net	455,115	468,728	401,035
Other receivables	7,103	44,412	9,109
Subtotal	3,120,083	1,850,753	1,546,532
Total	\$3,171,759	\$1,850,753	\$1,546,532

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)

Financial liabilities

	2022.09.30	2021.12.31	2021.09.30
Financial liabilities at amortized cost:			
Short-term loans	\$370,000	\$370,000	\$370,000
Accounts payable	2,505,524	2,017,657	1,939,650
Bonds payable (including those maturing within 12 months)	1,162,576	-	-
Lease liabilities	3,284,795	2,871,175	2,869,702
Total	<u>\$7,322,895</u>	<u>\$5,258,832</u>	<u>\$5,179,352</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 nine months ended September 30, 2022 and 2021 will increase/decrease by NT\$1,970 thousand and by NT\$831 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 September 30, 2022, December 31, 2020, and September 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

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)

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.

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>2022.09.30</u>							
Short-term loans	\$371,305	\$-	\$-	\$-	\$-	\$-	\$371,305
Accounts payable	2,505,524	-	-	-	-	-	2,505,524
Bonds payable	-	-	1,220,000	-	-	-	1,220,000
Lease liabilities	414,564	399,338	386,164	372,185	343,474	1,586,801	3,502,526
<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>2021.09.30</u>							
Short-term loans	\$371,383	\$-	\$-	\$-	\$-	\$-	\$371,383
Accounts payable	1,939,650	-	-	-	-	-	1,939,650
Lease liabilities	357,589	353,439	337,903	324,002	308,897	1,353,992	3,035,822

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)

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities for the nine months ended September 30, 2022:

	Short-term loans	Guarantee deposits	Bonds payable	Lease liabilities	Total liabilities from financing activities
2022.01.01	\$370,000	\$56,005	\$-	\$2,871,175	\$3,297,180
Cash flow	-	31,215	1,257,088	(292,969)	995,334
Non-cash changes					
Changes in scope of lease for the period	-	-	-	679,959	679,959
Others	-	-	(95,294)	-	(95,294)
Interest expenses	-	-	782	26,630	27,412
2022.09.30	<u>\$370,000</u>	<u>\$87,220</u>	<u>\$1,162,576</u>	<u>\$3,284,795</u>	<u>\$4,904,591</u>

Information on adjustments of liabilities for the nine months ended September 30, 2021:

	Short-term loans	Guarantee deposits	Bonds payable	Lease liabilities	Total liabilities from financing activities
2021.01.01	\$370,000	\$40,189	\$40,583	\$2,569,522	\$3,020,294
Cash flow	-	5,444	(2,000)	(243,395)	(239,951)
Non-cash changes					
Changes in scope of lease for the period	-	-	-	520,462	520,462
Corporate bonds conversion	-	-	(38,778)	-	(38,778)
Interest from lease liabilities	-	-	195	23,113	23,308
2021.09.30	<u>\$370,000</u>	<u>\$45,633</u>	<u>\$-</u>	<u>\$2,869,702</u>	<u>\$3,285,335</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

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

	Carrying value	
	2022.09.30	2021.09.30
Financial liabilities:		
Bonds payable	\$1,162,576	\$-
	Fair value	
	2022.09.30	2021.09.30
Financial liabilities:		
Bonds payable	\$1,163,194	\$-

- 3) Fair value ranked information of financial instruments

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

- h. Derivative financial instruments

Information about derivative financial instruments held by the Group that do not qualify for hedge accounting and are not yet due is as follows:

Embedded derivative financial instruments

The embedded derivative financial instruments identified by the Group as a result of the issuance of convertible corporate bonds were separated from the host contract and treated as measured at fair value through profit and loss. Please refer to Note 6 for the contract information of the transaction.

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)

i. Ranking of fair value

1) Definition of fair value ranking

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

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

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

Rank 3: unobservable input value for assets and liabilities.

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

2) Information on measurement of fair value ranks

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:

September 30, 2022:

	Rank 1	Rank 2	Rank 3	Total
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$1,676	\$1,676
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments measured at fair value through other comprehensive income	-	-	50,000	50,000

December 31, 2021: None.

September 30, 2021: None.

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)

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 nine months ended September 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 profit and loss	Measured at fair value through other comprehensive income
	Derivative instruments	Stock and preferred stock
2022.01.01	\$-	\$-
Acquired/issued during the period	2,054	50,000
Recognized in profit and loss during the period (recognized under "Other gains and losses")	(378)	-
2022.09.30	<u>\$1,676</u>	<u>\$50,000</u>

The above total gains recognized in profit and loss, the amount of profit and loss related to assets held as of September 30, 2022 was NT\$(378) thousand.

Significant Unobservable Input Value Information for Fair Value Rank 3

The following table presents the significant unobservable input value for fair value measurement for the Company's assets measured at repetitive fair value in the fair value rank 3:

September 30, 2022

	Valuation techniques	Significant Unobservable input value	Quantitative information	Relations between input value and fair value	Sensitivity of the relations between input value and fair value Analysis value relations
Financial assets:					
Measured at fair value through profit and loss					
Embedded derivative financial instruments	Binary tree convertible bond valuation model	Volatility	47.20%	The higher the volatility, the higher the fair value estimates	When the volatility increases (decreases) by 1%, the Group's profit and loss will increase/decrease by NT\$222 thousand/NT\$200 thousand

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: None.

September 30, 2021: None.

- 3) Information of fair value ranks that are not measured at fair value but required for disclosure

September 30, 2022:

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Corporate bonds payable (please refer to Note 6.12 for details)	\$-	\$-	\$1,163,194	\$1,163,194

September 30, 2021: None.

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

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

13. Notes on Disclosures

- a. Information on Significant Transactions

- 1) The Company's capital financing for others: None.
- 2) The Company's endorsement/guarantee for others: None.
- 3) Marketable securities held at the end of the period (excluding the equity of investments in subsidiaries, associates, and joint venture control): 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 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.

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)

c. Information on investments in Mainland China: None.

d. Information on Substantial Shareholders:

Name of substantial shareholder	Number of shares held (shares)	Shareholding ratio
Jun Wei Investment Co., Ltd.	11,907,440	13.35%
Zhen Han Investment Co., Ltd.	9,885,264	11.09%
Hao Cheng Investments Co., Ltd.	6,897,715	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 Note4.

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)

September 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 Nine Months Ended September 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.	Per contract

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 Nine Months Ended September 30, 2022

Table 3
Unit: in NT\$1,000

Sales/purchase company	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total notes and accounts receivable (payable)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	\$2,803,479	25.98%	Offset of debts and claims	No other customers for comparison	Non-affiliate: Credit 60-120 days	Accounts receivable \$494,123	56.21%	Note
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	\$454,276	5.24%	Credit 30 days	No other vendor for comparison	Non-affiliate: Credit 60-90 days	Notes payable \$147,736 Accounts payable \$81,902	19.14% 5.32%	Note Note

Note: It has already been written-off when the Consolidated Financial Statements were compiled.

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
 September 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	Allowance for doubtful accounts
					Amount	Treatment		
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	\$494,123	8.54	\$-	-	\$47,710	\$-
			(Note)					

Note: It has already been written-off when the Consolidated Financial Statements were compiled.

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)

September 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%	\$122,124	\$81,096	\$66,443 (Note 1)	Note 4
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%	\$6,128	\$3,167	\$3,167	Note 4
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%	\$68,110	\$(15,997)	\$(15,997)	Note 4
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%	\$31,438	\$831	\$499	Note 4

Note 1: Includes income from investment recognized using equity method for the period of NT\$81,096 thousand, write-off for lease transaction with related party NT\$536 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\$48,799 thousand.

Note 2: On November 11, 2021, the Company's Board of Directors resolved to invest directly in the establishment of Greentree Pharmacy Hong Kong Limited, a 100%-owned subsidiary, for the purpose of expanding its business in Mainland China. The registration was completed on April 8, 2022. As of September 30, 2022, the investment amount had not been remitted.

Note 3: On May 12, 2022, the Company's Board of Directors resolved to invest directly in the establishment of GREAT TREE INTERNATIONAL SDN. BHD., a 100%-owned subsidiary, for the purpose of developing its overseas business. The registration was completed on August 12, 2022. As of September 30, 2022, the investment amount had not been remitted.

Note 4: It has already been written-off when the Consolidated Financial Statements were compiled.

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 Nine Months Ended September 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	\$454,276	99.90%	Credit 30 days	No other customers for comparison	Non-affiliate:	Notes receivable	100.00%	Note
									\$147,736	99.82%	
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$2,803,479	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable	100.00%	Note
									\$81,902		
									\$494,123		

Note: It has already been written-off when the Consolidated Financial Statements were compiled.

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
 September 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		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	\$229,638	2.92	\$-	-	\$102,535	\$-
			(Note)					

Note: It has already been written-off when the Consolidated Financial Statements were compiled.

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>2022.01.01~2022.09.30</u>						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	\$454,276	Credit 30 days	4.22%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Rental revenue	5,399	-	0.05%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts receivable	239	Credit 30 days	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	24,845	-	0.25%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Notes payable	147,736	Credit 30 days	1.47%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	81,902	Credit 30 days	0.82%
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	2,803,479	Offset of debts and claims	26.02%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Shipping fee	11,493	-	0.11%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	494,123	Offset of debts and claims	4.93%
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	3,643	Credit 30 days	0.03%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other income	757	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts receivable	128	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other receivables	2	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts payable	8	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Rental expenses	1,457	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other receivables	5	-	-

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.