

Great Tree Pharmacy Co., Ltd.

Parent Company Only Financial Statements and Independent
Auditors' Report

For the Years Ended December 31, 2022 and 2021

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Parent Company Only Financial Statements

Table of Contents

Item	Page Number
I. Cover	1
II. Table of Contents	2
III. Independent Auditors' Report	3-5
IV. Parent Company Only Balance Sheets	6-7
V. Parent Company Only Statement of Comprehensive Income	8
VI. Parent Company Only Statements of Changes in Equity	9
VII. Parent Company Only Statements of Cash Flows	10
VIII. Notes to Parent Company Only Financial Statements	
1. Company Overview	11
2. Dates and Procedures of Approving Financial Statements	11
3. Applicability of New and Amended Accounting Principles and Explanations	11-14
4. Explanations of Major Accounting Policies	14-30
5. Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions	30-32
6. Explanations of Significant Accounting Items	32-58
7. Related Party Transactions	58-60
8. Assets Pledged	60
9. Significant Contingent Liabilities and Unrecognized Contracts	60
10. Contingent Disaster Loss	61
11. Significant Post-reporting Period Matters	61
12. Others	61-68
13. Notes on Disclosures	
a. Information on Significant Transactions	69
b. Information on Reinvestments	69-70
c. Information on Investments in Mainland China	70
d. Information on Substantial Shareholders	70
14. Departmental Information	70
IX. Table of Significant Accounting Items	78-95

Independent Auditors' Report

To Great Tree Pharmacy Co., Ltd.,

Audit Opinion

We have audited the accompanying Parent Company Only Balance Sheets of Great Tree Pharmacy Co., Ltd. (the "Company") as of December 31, 2022 and December 31, 2021, and the related Parent Company Only Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years ended December 31, 2022 and December 31, 2021, as well as Notes to the Parent Company Only Financial Statements, including the Summary of Significant Accounting Policies (together "the Parent Company Only Financial Statements").

Based on the opinion of our CPA, the Parent Company Only Financial Statements in the preceding paragraph have been prepared according to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and may fairly present, in all material aspects, the individual financial status of Great Tree Pharmacy Co., Ltd. as of December 31, 2022 and December 31, 2021, as well as its individual financial performance and individual cash flow from January 1, 2022 to December 31, 2022 and from January 1, 2021 to December 31, 2021.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 Parent Company Only Financial Statements. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Great Tree Pharmacy Co., Ltd. recognized operating revenue of NT\$14,547,957 thousand in 2022. Since the Company's sources of revenue include different selling models such as retail transactions at pharmacies and revenue from management services and more, the judgment over performance obligation and the timing of its fulfillment over customer orders or contracts was needed, therefore leading to significant risk of revenue recognition. Hence, we have decided to include this as a key audit matter. Our audit procedures include (but are not limited to): understanding each selling model, evaluating the appropriateness of revenue recognition policy related to obligation fulfillment under each model, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle, conducting detailed testing by sampling the sales receipts, and conducting analytical review procedure and carrying out cut-off tests and more. We have also considered the appropriateness of revenue disclosure identified in Note 6 of the Parent Company Only Financial Statements.

Inventory Valuation

As of December 31, 2022, the net inventory of Great Tree Pharmacy Co., Ltd. was NT\$2,256,323 thousand, accounting for 23% of the individual total asset. Great Tree Pharmacy Co., Ltd.'s main business involves trading of maternity and infant products as well as various drugs. Most of their products have shelf lives, leading evaluations of allowance for inventory valuation and obsolescence loss to require material judgment of

the Company's management. Therefore, this was included as a key audit matter. Our audit procedures include (but are not limited to): evaluating the appropriateness of the policy of allowance for inventory valuation and obsolescence loss, evaluating the management method for near expiring goods and identification of expired inventory and testing the effectiveness of the relevant internal control, sampling the inventory aging report to test its accuracy and selecting significant inventory location for physical inventory observation and count, and inspecting current inventory and utilization status and more. We have also taken the appropriateness of inventory disclosure in Note 5 and Note 6 in the Notes to Parent Company Only Financial Statements into consideration.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company Only Financial Statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of Parent Company Only Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Great Tree Pharmacy Co., Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Parent Company Only Financial Statements, including the accompanying Notes, and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the individual entities in the Group to express an opinion on the Parent Company Only Financial Statements. We are responsible for the guidance, supervision, and implementation of the Group's audit and responsible for forming audit opinions on the Group.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 Parent Company Only Financial Statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Certified Public Accountant (CPA)
Lo Hsiao Chin
Mars Hong

February 23, 2023

Great Tree Pharmacy Co., Ltd.

Parent Company Only Balance Sheets

As of December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Asset			December 31, 2022		December 31, 2021	
Code	Accounting item	Note	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4 and 6.1	\$2,308,206	23	\$1,247,408	17
1136	Financial assets measured at amortized cost	4, 6.4 and 8	24,000	-	24,000	-
1150	Notes receivable, net	4 and 6.5	1,902	-	2,144	-
1170	Net accounts receivable	4 and 6.6	348,277	5	421,827	6
1180	Net accounts receivable - related parties	4, 6.6 and 7	490,948	5	381,865	5
1200	Other receivables		113,689	1	43,213	1
1210	Other receivables - related parties	7	21,383	-	35,100	-
1300	Inventory	4 and 6.7	2,256,323	23	1,532,599	21
1410	Prepayments		37,892	-	13,913	-
1470	Other current assets		5,758	-	9,744	-
	Total current assets		5,608,378	57	3,711,813	50
15xx	Non-current assets					
1510	Financial assets measured at fair value through profit and loss	4, 6.2 and 6.14	1,620	-	-	-
1517	Financial assets at fair value through other comprehensive income (loss)	4 and 6.3	48,833	1	-	-
1535	Financial assets measured at amortized cost	4, 6.4 and 8	3,000	-	3,000	-
1550	Investments accounted for using the equity method	4 and 6.8	223,523	2	145,803	2
1600	Property, plant, and equipment	4 and 6.9	742,243	7	690,429	10
1755	Right-of-use assets	4 and 6.20	3,041,634	31	2,722,065	37
1780	Intangible assets	4 and 6.10	26,149	-	18,747	-
1840	Deferred tax assets	4 and 6.24	18,941	-	11,828	-
1900	Other non-current assets	4 and 6.11	208,788	2	94,534	1
	Total non-current assets		4,314,731	43	3,686,406	50
1xxx	Total assets		\$9,923,109	100	\$7,398,219	100

(Please refer to the accompanying Notes to Parent Company Only Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Parent Company Only Balance Sheets (continued)

As of December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Liabilities and Equity		December 31, 2022		December 31, 2021	
	Accounting item	Note	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	6.12	\$-	-	\$370,000	5
2130	Contract liabilities	4 and 6.18	16,361	-	11,790	-
2150	Notes payable		716,018	7	556,961	7
2160	Notes payable - related parties	7	123,885	1	134,581	2
2170	Accounts payable		1,464,705	15	1,091,721	15
2180	Accounts payable - related parties	7	50,386	1	50,802	1
2200	Other payables	6.13 and 6.15	378,523	4	275,696	4
2220	Other payables - related parties	7	941	-	242	-
2230	Tax liabilities for this period	4 and 6.24	118,807	1	69,042	1
2280	Lease liabilities	4 and 6.20	387,569	4	303,748	4
2300	Other current liabilities		24,615	-	24,381	-
	Total current liabilities		3,281,810	33	2,888,964	39
25xx	Non-current liabilities					
2530	Bonds payable	4 and 6.14	1,167,392	12	-	-
2572	Deferred income tax liabilities	4 and 6.24	1,628	-	-	-
2580	Lease liabilities	4 and 6.20	2,778,487	28	2,518,332	34
2640	Net defined benefit liabilities	4 and 6.15	4,307	-	5,645	-
2645	Guarantee deposits	7	89,157	1	53,408	1
	Total non-current liabilities		4,040,971	41	2,577,385	35
2xxx	Total liabilities		7,322,781	74	5,466,349	74
31xx	Equity attributable to shareholders of parent company					
3100	Share capital	6.16				
3110	Ordinary share capital		891,352	9	700,431	9
3140	Prepaid share capital		7,239	-	6,679	-
3200	Capital surplus	6.16	867,945	9	726,345	10
3300	Retained earnings	6.16				
3310	Legal capital reserve		133,468	1	92,969	1
3350	Unappropriated earnings		701,696	7	405,446	6
36xx	Other equity		(1,372)	-	-	-
	Total equity		2,600,328	26	1,931,870	26
	Total liabilities and equity		\$9,923,109	100	\$7,398,219	100

(Please refer to the accompanying Notes to Parent Company Only Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars, except for earnings per share)

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	4, 6.18 and 7	\$14,547,957	100	\$11,322,396	100
5000	Operating costs	7	(10,701,896)	(74)	(8,480,073)	(75)
5900	Gross profit		3,846,061	26	2,842,323	25
6000	Operating expenses	7				
6100	Selling and marketing expenses		(2,670,262)	(18)	(2,071,890)	(18)
6200	General and administrative expenses		(404,702)	(3)	(340,220)	(3)
	Total operating expenses		(3,074,964)	(21)	(2,412,110)	(21)
6900	Operating profit		771,097	5	430,213	4
7000	Non-operating income and expenses					
7100	Interest income	6.22	4,190	-	714	-
7010	Other income	6.22 and 7	43,038	-	40,004	-
7020	Other gains and losses	6.22	13,729	-	155	-
7050	Financing costs	6.22	(44,636)	-	(34,507)	-
7070	Shares of subsidiaries, affiliates, and joint ventures measured at the equity method		70,722	-	55,400	-
	Total non-operating income and expenses		87,043	-	61,766	-
7900	Net profit before tax		858,140	6	491,979	4
7950	Income tax expenses	4 and 6.24	(158,069)	(1)	(84,561)	(1)
8200	Net income		700,071	5	407,418	3
8300	Other comprehensive income (loss), net	6.23				
8310	Items that will not be reclassified to profit or loss:					
8311	Remeasurement of defined benefit plans		1,161	-	(2,428)	-
8316	Equity instruments measured at fair value through other comprehensive income		(1,167)	-	-	-
	Unrealized valuation gains (losses) on investments					
8360	Items that may subsequently be reclassified to profit or loss					
8380	Other comprehensive profit or loss shares of subsidiaries, affiliates, and joint ventures measured at the equity method		(205)	-	-	-
	Other comprehensive income (loss) (net value after tax) for this period		(211)	-	(2,428)	-
8500	Total comprehensive income (loss)		\$699,860	5	\$404,990	3
	Earnings per share, EPS (NT\$)					
9750	Basic EPS	6.25	\$7.85		\$4.64	
9850	Diluted EPS	6.25	\$7.59		\$4.48	

(Please refer to the accompanying Notes to Parent Company Only Financial Statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	Share capital 3100	Prepaid share capital 3140	Capital surplus 3200	Retained earnings		Other equity items		Total equity 3XXX
					Legal capital reserve 3310	Unappropriated earnings 3350	Exchange differences translated from the financial statements of foreign operations 3410	Unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive profit or loss 3420	
A1	Balance as of January 1, 2021	\$530,659	\$2,787	\$658,506	\$73,419	\$233,891	\$-	\$-	\$1,499,262
B1	Legal capital reserve				19,550	(19,550)			-
B5	Cash dividends					(53,471)			(53,471)
B9	Share dividends	160,414				(160,414)			-
D1	2021 net income					407,418			407,418
D3	Other comprehensive income (loss) in 2021					(2,428)			(2,428)
D5	Total comprehensive income (loss)	-	-	-	-	404,990	-	-	404,990
I1	Convertible corporate bond conversion	9,358	(2,787)	32,207					38,778
N1	Share-based payment transaction		6,679	29,459					36,138
T1	Others - issuance of employee stock options			6,173					6,173
Z1	Balance as of December 31, 2021	700,431	6,679	726,345	92,969	405,446	-	-	1,931,870
B1	Legal capital reserve				40,499	(40,499)			-
B5	Cash dividends					(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
D1	2022 net income					700,071			700,071
D3	Other comprehensive income (loss) in 2022					1,161	(205)	(1,167)	(211)
D5	Total comprehensive income (loss)	-	-	-	-	701,232	(205)	(1,167)	699,860
N1	Share-based payment transactions	8,680	560	37,508					46,748
T1	Others - issuance of employee stock options			6,744					6,744
Z1	Balance as of December 31, 2022	\$891,352	\$7,239	\$867,945	\$133,468	\$701,696	\$(205)	\$(1,167)	\$2,600,328

(Please refer to the notes to the Parent Company Only financial statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2022	2021	Code	Item	2022	2021
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for the period	\$858,140	\$491,979	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(50,000)	-
A20000	Adjustment items:			B01800	Acquisition of investments accounted for using the equity method	(70,257)	(30,000)
A20010	Gain or loss items that do not affect cash flows:			B02700	Acquisition of property, plant, and equipment	(253,752)	(246,182)
A20100	Depreciation expense (including right-of-use assets)	579,829	484,023	B02800	Disposal of property, plant, and equipment	7,364	3,286
A20200	Amortization expenses	4,323	2,902	B03700	(Increase) decrease in deposits	(105,606)	(16,852)
A20400	Valuation loss (gain) on financial liabilities measured at fair value through profit or loss	434	-	B04500	Acquisition of intangible assets	(11,725)	(3,631)
A20900	Interest expenses	44,636	34,507	BBBB	Net Cash inflow (outflow) from investing activities	<u>(483,976)</u>	<u>(293,379)</u>
A21200	Interest income	(4,190)	(714)				
A21900	Cost of share-based payments	6,744	6,173	CCCC	Cash flow from financing activities:		
A22300	Shares of subsidiaries, affiliates, and joint ventures measured at the equity method	(70,722)	(55,400)	C00100	Decrease in short-term loans	(370,000)	-
A22500	Loss on disposal of property, plant, and equipment	(1,123)	(101)	C00120	Issuance of corporate bonds	1,257,088	-
A29900	Other item - gain on lease modification	(502)	(2,598)	C00130	Repayments of bonds	-	(2,000)
A30000	Changes in assets/liabilities related to operating activities:			C03000	Increase in guarantee deposits received	35,749	18,806
A31130	(Increase) decrease in notes receivable	242	2,373	C04020	Repayment of principal on loan	(391,343)	(326,145)
A31150	(Increase) decrease in accounts receivable	73,550	(126,575)	C04500	Cash dividends	(182,242)	(53,471)
A31160	(Increase) decrease in accounts receivable - related parties	(109,083)	(110,086)	C04800	Employees exercising share option	46,748	36,138
A31180	(Increase) decrease in other receivables	(70,476)	25,563	CCCC	Net cash inflow (outflow) from financing activities	<u>396,000</u>	<u>(326,672)</u>
A31190	(Increase) decrease in other receivables - related parties	13,717	12,487				
A31200	(Increase) decrease in inventories	(723,724)	(307,554)	EEEE	Amount of Increase (decrease) in cash and cash equivalents for the period	1,060,798	437,881
A31230	(Increase) decrease in prepayments	(23,979)	8,613	E00100	Beginning balance of cash and cash equivalents	1,247,408	809,527
A31240	(Increase) decrease in other current assets	3,986	(7,399)	E00200	Ending balance of cash and cash equivalents	<u>\$2,308,206</u>	<u>\$1,247,408</u>
A32125	Increase (decrease) in contract liabilities	4,571	3,686				
A32130	Increase (decrease) in notes payables	159,057	228,260				
A32140	Increase (decrease) in notes payable - related parties	(10,696)	(6,244)				
A32150	Increase (decrease) in accounts payables	372,984	306,352				
A32160	Increase (decrease) in accounts payable - related parties	(416)	2,387				
A32180	Increase (decrease) in other payables	91,404	61,068				
A32190	Increase (decrease) in other payables - related parties	699	-				
A32230	Increase (decrease) in other current liabilities	234	1,908				
A32240	Increase (decrease) in net defined benefit liabilities	(177)	(208)				
A33000	Cash inflow (outflow) from operating activities	<u>1,199,462</u>	<u>1,055,402</u>				
A33100	Interest received	4,190	714				
A33200	Dividends received	63,054	51,035				
A33300	Interest paid	(4,143)	(3,595)				
A33500	Income tax paid	(113,789)	(45,624)				
AAAA	Net cash inflow (inflow) from operating activities	<u>1,148,774</u>	<u>1,057,932</u>				

(Please refer to the notes to the Parent Company Only financial statements)

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd.

Notes to Parent Company Only Financial Statements

(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 Company's individual financial reports for the years 2022 and 2021 were approved by the Board of Directors on February 23, 2023.

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 Company 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 Company.

- b. As of the approval and announcement date of the financial statements, the Company has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

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

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

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

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

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

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

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

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

- c. As of the approval and announcement date of the financial statements, the Company has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, amended, standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective date 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, 2024
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

- a) 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.

b) 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).

c) 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.

d) 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.

e) 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 Company's 2022 and 2021 Parent Company Only Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparations

The Company's Parent Company Only Financial Statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Pursuant to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current gain or loss and other comprehensive income in the Parent Company Only Financial Statements is equal to the current gain or loss and other comprehensive income as attributable to owners of parent company in the Consolidated Financial Statements. Furthermore, the owner's equity in the Parent Company Only Financial Statements is equal to the equity attributable to owners of the parent company in the Consolidated Financial Statements. Therefore, investments in subsidiaries are expressed using "investments accounted for using equity method" in the Parent Company Only Financial Statements, and necessary valuation adjustments will be made.

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

c. Foreign currency transaction

The functional currency of the Company's Parent Company Only Financial Statements is New Taiwan Dollar (NT\$).

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

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

- 1) For foreign currency loans that arise from acquisition of assets that meet the requirements, if the resulting exchange differences are treated as adjustments of the interest capital, which is a component of the cost of loans, they will be capitalized as the cost of the asset.
- 2) Foreign currency items within the scope of IFRS 9 Financial Instruments: Recognition

and Measurement are accounted for based on the accounting policy for financial instruments.

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

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

d. Standard of classifying assets and liabilities as either current or non-current

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

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

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

- 1) The liability is expected to be settled during normal business cycle.
- 2) Liability is held for trading purposes.
- 3) The liability is due to be settled within 12 months after the reporting period.
- 4) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Settlement of liabilities may be made by the issue of equity instruments based on transaction party's choice, and will not impact classification.

e. Cash and cash equivalents

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

f. Financial instruments

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

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

subtraction from the fair value of assets and financial liabilities.

1) Recognition and valuation of financial assets

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

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

- a) Business model used in managing the financial assets
- b) Characteristics of the contractual cash flows from the financial asset

Financial assets measured at amortized cost

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

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

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

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

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

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

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

- a) Business model used in managing the financial assets: financial asset is held to

- receive contractual cash flows and for sale of financial asset
- b) Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

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

- a) Prior to derecognition or reclassification, except for impairment interest or loss, exchange gain or loss will be recognized in the profit or loss, and its gain or loss will be recognized in other comprehensive income (loss)
- b) During derecognition, accumulated gain or loss recognized in other comprehensive income (loss) will be reclassified from equity to profit or loss as adjustments for reclassification
- c) Interest calculated through effective interest method (multiplying effective interest with the total book value of the financial asset) or the following conditions will be recognized in profit or loss:
- i. If it is a purchased or originated credit-impaired financial asset, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets
 - ii. If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

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

Financial assets measured at fair value through profit or loss

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

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

2) Impairments of Financial Assets

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

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

- a) Unbiased and probability-weighted amount determined by evaluating each possible outcome
- b) The time value of money
- c) Reasonable and corroborative information related to past events, current conditions, and future economic forecasts (can be obtained at no excessive cost or input on the Balance Sheet date)

Method for valuating allowance for loss is as follows:

- a) Measure the expected credit loss over the next 12 months: including financial asset without significant increase in credit risk after initial recognition, or those ruled to have low credit risk on the Balance Sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significantly increased since the original recognition on the Balance Sheet date.
- b) Measurement of the amount of lifetime expected credit losses: including financial asset with significant increase in credit risk after initial recognition or purchased or originated credit-impaired financial asset with credit impairment.
- c) For accounts receivable or contractual asset arising from transactions within the scope of IFRS 15, the Company adopts lifetime expected credit loss to measure allowance for loss.

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

3) Derecognition of financial asset

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

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

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

4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Hybrid instruments

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

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

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.

When holder of the convertible corporate bonds should requests to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

Financial liabilities

Financial liabilities within the scope of IFRS 9: upon initial recognition, recognition and measurement are either classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit and loss

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

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and financial liabilities

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

g. Fair value measurement

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

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

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

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

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

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

h. Inventory

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

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

Commodities - The weighted average method is used for the actual purchase cost.

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

i. Investments accounted for using the equity method

Investments to subsidiaries are made pursuant to Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." These investments are expressed by "investments accounted for using equity method" and necessary rating adjustment is conducted so that current profit and loss and other comprehensive income in the Parent Company Only Financial Statements and the current profit and loss and other comprehensive income (loss) attributable to owners of the parent company in the Consolidated Financial Statements are equivalent, and the owner's equity in the Parent Company Only Financial Statements is equivalent to the equity attributable to owners of parent company in the Consolidated Financial Statements. Such adjustments are made in consideration of the differences between the investment in subsidiaries in the Consolidated Financial Statements in accordance with IFRS 10 - Consolidated Financial Statements, and the applicable IFRS reporting at different levels, and either debits or credits the "investment accounted for using equity method," "profit or loss from subsidiaries, affiliates, and joint venture accounted for using equity method," or "other comprehensive income (loss) from subsidiaries, affiliates, and joint venture accounted for using equity method."

The Company's investment in affiliates adopts equity method except for those classified as available-for-sale. Affiliates refer to the companies in which the Company has material influence over.

Under the equity method, the investment affiliates are accounted for on the balance sheet as the amount recognized by the Company for the change in the net assets of the affiliate based on the shareholding ratio. After the carrying amount and other related long-term equity in investments in affiliates under the equity method are reduced to zero, extraneous losses and liabilities will be recognized in the context of legal obligations, constructive obligations, or payments made on behalf of the affiliates. Unrealized gain or loss occurring between the Company and affiliates will be eliminated in proportion to the shares held in the affiliates.

When the change in the equity of the affiliate is not due to profit or loss and other comprehensive profit or loss items, and does not affect the Company's shareholding ratio, the Company will recognize the change in the relevant ownership interest based on the shareholding ratio. Therefore, recognized capital surplus will be reverted to profit or loss in proportion to the disposal subsequent to disposal of the affiliates.

When an affiliate issues new shares, if the Company does not subscribe in proportion to its shareholding, the Company's shareholdings in the affiliate's net assets will increase or decrease accordingly. The change will be adjusted by "capital surplus" and "investments accounted for using equity method." When the shareholding ratio decreases, the recognized related items in other comprehensive income (loss) will be first reclassified to profit or loss or other appropriate item in proportion to the decrease in shareholding ratio. The

aforementioned recognized capital surplus will be reverted to profit or loss during subsequent disposal of the affiliate.

The financial statements of the affiliates are prepared for the same reporting period as the Company, and adjusted to align their accounting policies with the Company's accounting policies.

The Company determines at each reporting date whether there is any objective evidence that the investment in the affiliate company is impaired in accordance with IAS 28 - Investment in Related Companies and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the affiliate company and its carrying value and recognizes the amount in the "share of profit or loss of an affiliate company" in the statement of comprehensive income in accordance with IAS 36 - Impairment of Assets. In case the aforementioned recoverable amount adopts the useful value of the investment, the Company will determine the relevant useful value based on the following estimates:

- 1) The share of the present value of the estimated cash flows generated by the affiliates of the Company, including the cash flows generated by the affiliates due to the operation and the final disposal of the investment; or
- 2) The Company expects to receive dividends from the investment and ultimately dispose of the present value of the estimated future cash flows generated by the investment.

Since goodwill component item that construes the carrying amount of the investment in affiliates is not separately recognized; hence, the Company is not required to undertake the test for goodwill impairment as stipulated in IFRS 36 - Impairment of Assets.

When material influence over affiliates is lost, the Company will conduct fair value measurement and recognize the remaining investments. When material influence is lost, the difference between the carrying amount of the investment in affiliates and the fair value of the retained investment plus the disposal price, will be recognized as profit or loss.

j. Property, plant, and equipment

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

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

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

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

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

k. Lease

The Company evaluates whether a contract is (or includes) a lease on the contract establishment date. A contract is (or includes) a lease if it transfers control of the use of an identified asset for a period of time in exchange for considerations. To evaluate whether the contract has transferred the control of the use of an identified asset for a period of time, the Company will evaluate whether the following two factors will occur during the entire duration of use:

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

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

The Company is the lessee

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

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

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

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

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

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

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

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

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

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

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

The Company is the lessor

On the date of establishing the contract, the Company will classify each lease as either operating lease or financing lease. If nearly all risks and rewards associated with the

ownership of the asset will be transferred during the lease, it will be categorized as a financing lease; if risks and rewards will not be transferred, it will be an operating lease. The Company will recognize assets held under financing leases on the balance sheet on the start date, and express them as lease payment receivable based on the net lease investment.

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

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

1. Intangible assets

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

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

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

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

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

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

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

m. Non-monetary impairment

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

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

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

n. Revenue Recognition

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

Sales of goods

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

Retail customers of the Company have the right to enjoy discount during future purchase with the points they collect. When points are collected from customer use or when the

points expire one year after the initial sales, revenue from the points given will be recognized, and relevant contractual liability will be adjusted accordingly.

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

Provision of service

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

o. Retirement pension plan

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

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

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

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

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

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

p. Share-based payment transaction

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

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

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

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

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

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

q. Income tax

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

Income tax in the current period

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

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

Deferred income tax

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

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

- 1) Initial recognition of goodwill; or the initial recognition of an asset or liability not arising from a business combination transaction and does not affect accounting profits or taxable income (loss) at the time of the transaction;
- 2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

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

- 1) Deductible temporary difference arising from business combination with a non-affiliates, and is related to initial recognition of assets or liabilities that do not affect accounting profit or loss of taxable income (loss) at the time of transaction;
- 2) Related to deductible temporary difference from equity in investments in subsidiaries, affiliates, or joint ventures, and is highly possible to revert in the foreseeable future, and the revert may be to the extent that there will be sufficient taxable income at the time for recognition of the temporary difference.

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

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

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

When preparing the Parent Company Only Financial Statements, the Company's management shall exercise judgment, estimation and assumption at the end of the reporting period. This will

influence the reported amounts of revenue, expense, assets and liabilities, and disclosure on liabilities. Nevertheless, the uncertainty of these material assumptions and estimates may result in material adjustments to the carrying amount of an asset or liability in the future.

Estimates and assumptions

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

1) Fair value of financial instruments

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

2) Accounts receivable - estimates on impairment loss

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

3) Inventory

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

4) Retirement pension plan

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

5) Share-based payment transaction

Cost of equity settlement transaction between the Company and our employees are measured by the fair value of the equity instrument on the grant date. When estimating the fair value of the share-based payment transaction, the best pricing model should be determined based on the benefit conditions. These estimates also require determining the

best parameters used in the pricing model, including: expected duration of the stock options, estimated fluctuations, estimated rate of dividend, and any assumptions made therein. Please refer to Note 6 for explanations on the assumptions and models used to measure the fair value of the share-based payment transaction.

6) Income tax

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

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

6. Explanations of significant accounting items

a. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand and petty cash	\$10,534	\$8,933
Checks and demand deposit	1,321,802	1,123,925
Fixed deposit	975,870	114,550
Total	<u>\$2,308,206</u>	<u>\$1,247,408</u>

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

	2022.12.31	2021.12.31
Measured at fair value through profit and loss:		
Convertible corporate bonds	<u>\$1,620</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	1,620	-
Total	<u>\$1,620</u>	<u>\$-</u>

The Company's financial assets measured at fair value have not had conditions of guarantee/endorsement.

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Investments in equity instruments measured at fair value through other comprehensive income:		
Unlisted and non-OTC company stock	\$50,000	\$-
Valuation adjustment	(1,167)	-
Total	<u>\$48,833</u>	<u>\$-</u>
Current	\$-	\$-
Non-current	48,833	-
Total	<u>\$48,833</u>	<u>\$-</u>

The Company's financial assets measured at fair value through other comprehensive income have not had conditions of guarantee/endorsement.

d. Financial assets measured at amortized cost

	<u>2022.12.31</u>	<u>2021.12.31</u>
Restrictive fixed deposit	\$24,000	\$24,000
Fixed deposit	3,000	3,000
Less: allowance for loss	-	-
Total	<u>\$27,000</u>	<u>\$27,000</u>
Current	<u>\$24,000</u>	<u>\$24,000</u>
Non-current	<u>\$3,000</u>	<u>\$3,000</u>

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

The Company's financial assets measured at amortized cost have not had conditions of guarantee/endorsement.

e. Notes receivable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable - from operating activities	\$1,902	\$2,144
Less: allowance for loss	-	-
Total	<u>\$1,902</u>	<u>\$2,144</u>

The Company's notes receivable have not had conditions of endorsement/guarantee.

The Company assesses information related to impairment and allowance for impairment using regulations from IFRS 9. Please refer to Note 6(19) for details. Please refer to Note 12 for information on credit risk.

f. Net accounts receivable and accounts receivable - related parties

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

	2022.12.31	2021.12.31
Total accounts receivable	\$348,695	\$422,245
Less: allowance for loss	(418)	(418)
Subtotal	348,277	421,827
Total accounts receivable - related parties	490,948	381,865
Less: allowance for loss	-	-
Subtotal	490,948	381,865
Total	<u>\$839,225</u>	<u>\$803,692</u>

- 2) The aforementioned accounts receivable has not had conditions of endorsement/guarantee.
- 3) The Company's credit line to customers is usually 60-120 days. The total carrying amounts were NT\$839,643 thousand and NT\$804,110 thousand on December 31, 2022 and December 31, 2021 respectively. Please refer to Note 6 (19) for information related to allowance for impairment loss in 2022 and 2021. Please refer to Note 12 for information on credit risk.

g. Inventory

1) Net inventory is as follows:

	2022.12.31	2021.12.31
Goods on hand	<u>\$2,256,323</u>	<u>\$1,532,599</u>

- 2) The Company recognized cost of inventories of NT\$10,701,896 thousand and NT\$8,480,073 thousand on December 31, 2022 and December 31, 2021 as expenses respectively. These expenses included the following:

Item	2022	2021
Allowance for inventory valuation and obsolescence loss	\$9,509	\$4,849
Inventory scrap loss	22,024	9,548
Inventory loss	10,065	7,387
Total	<u>\$41,598</u>	<u>\$21,784</u>

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

h. Investments accounted for using the equity method

The Company's investments accounted for using equity method are as follows:

Investee	2022.12.31		2021.12.31	
	Amount	Shareholding ratio	Amount	Shareholding ratio
Investment in subsidiary:				
Ivy Biotechnology Co., Ltd.	\$143,161	100%	\$115,035	100%
Bai-Lin Logistics Co., Ltd.	8,381	100%	6,661	100%
Great Tree Pets Co., Ltd.	62,166	100%	24,107	100%
GREAT TREE INTERNATIONAL SDN.BHD.	9,815	75%	-	-
Total	<u>\$223,523</u>		<u>\$145,803</u>	

- 1) Investments in subsidiaries are expressed in "investments accounted for using equity method" in the Parent Company Only Financial Statements.
- 2) Upon resolution from the Board of Directors on November 11, 2021, the Company has invested in and set up a 100% owned subsidiary, Great Tree Pharmacy Hong Kong. The aforesaid subsidiary has completed company registration on April 8, 2022. As of December 31, 2022, the Company had not yet remitted the investment amount.

On May 12, 2022, the Board of Directors of the Company resolved to invest NT\$10,256 thousand in GREAT TREE INTERNATIONAL SDN. BHD. for the purpose of developing overseas business. °

- 3) Aforementioned investments accounted for using equity method has not had conditions with endorsement/guarantee.

i. Property, plant, and equipment

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:					
2022.01.01	\$13,516	\$400,327	\$529,101	\$315,081	\$1,258,025
Acquisition	-	125,679	113,650	17,198	256,527
Disposal	-	(1,996)	(3,543)	(3,931)	(9,470)
Transfer	-	-	-	-	-
2022.12.31	<u>\$13,516</u>	<u>\$524,010</u>	<u>\$639,208</u>	<u>\$328,348</u>	<u>\$1,505,082</u>
2021.01.01	\$13,516	\$338,519	\$445,615	\$223,882	\$1,021,532
Acquisition	-	62,648	83,610	93,530	239,788
Disposal	-	(840)	(124)	(2,331)	(3,295)
Transfer	-	-	-	-	-
2021.12.31	<u>\$13,516</u>	<u>\$400,327</u>	<u>\$529,101</u>	<u>\$315,081</u>	<u>\$1,258,025</u>
Depreciation and impairment:					
2022.01.01	\$12,760	\$230,675	\$217,624	\$106,537	\$567,596
Depreciation	479	61,849	78,963	57,181	198,472
Disposal	-	(751)	(1,054)	(1,424)	(3,229)
Transfer	-	-	-	-	-
2022.12.31	<u>\$13,239</u>	<u>\$291,773</u>	<u>\$295,533</u>	<u>\$162,294</u>	<u>\$762,839</u>
2021.01.01	\$12,109	\$180,728	\$153,720	\$55,392	\$401,949
Depreciation	651	49,975	63,908	51,223	165,757
Disposal	-	(28)	(4)	(78)	(110)
Transfer	-	-	-	-	-
2021.12.31	<u>\$12,760</u>	<u>\$230,675</u>	<u>\$217,624</u>	<u>\$106,537</u>	<u>\$567,596</u>
Net carrying amount:					
2022.12.31	<u>\$277</u>	<u>\$232,237</u>	<u>\$343,675</u>	<u>\$166,054</u>	<u>\$742,243</u>
2021.12.31	<u>\$756</u>	<u>\$169,652</u>	<u>\$311,477</u>	<u>\$208,544</u>	<u>\$690,429</u>

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

j. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2022.01.01	\$11,741	\$14,286	\$26,027
Acquisition - separately acquired	11,725	-	11,725
Derecognized at the end of useful life	-	-	-
2022.12.31	<u>\$23,466</u>	<u>\$14,286</u>	<u>\$37,752</u>
2021.01.01	\$8,110	\$14,286	\$22,396
Acquisition - separately acquired	3,631	-	3,631
Derecognized at the end of useful life	-	-	-
2021.12.31	<u>\$11,741</u>	<u>\$14,286</u>	<u>\$26,027</u>
Amortization and impairment:			
2022.01.01	\$7,280	\$-	\$7,280
Amortization	4,323	-	4,323
Derecognized at the end of useful life	-	-	-
2022.12.31	<u>\$11,603</u>	<u>\$-</u>	<u>\$11,603</u>
2021.01.01	\$4,378	\$-	\$4,378
Amortization	2,902	-	2,902
Derecognized at the end of useful life	-	-	-
2021.12.31	<u>\$7,280</u>	<u>\$-</u>	<u>\$7,280</u>
Net carrying amount:			
2022.12.31	<u>\$11,863</u>	<u>\$14,286</u>	<u>\$26,149</u>
2021.12.31	<u>\$4,461</u>	<u>\$14,286</u>	<u>\$18,747</u>

ion of intangible assets is as follows:

	2022	2021
Operating expenses	<u>\$4,323</u>	<u>\$2,902</u>

k. Other non-current assets

	2022.12.31	2021.12.31
Prepaid equipment	\$11,708	\$3,060
Refundable deposits	197,080	91,474
Total	<u>\$208,788</u>	<u>\$94,534</u>

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\$83,998 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.

1. Short-term loans

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

	Range of interest rates (%)	2022.12.31	2021.12.31
Unsecured bank loan	0.86%~1.18%	<u>\$-</u>	<u>\$370,000</u>

2) As of December 31, 2022 and December 31, 2021 respectively, the Company's unused short-term loan credits are NT\$0 and NT\$92,960 thousand respectively.

m. Other payables

	2022.12.31	2021.12.31
Expenses payable	\$353,419	\$262,015
Equipment payable	25,067	13,644
Net defined benefit liabilities - current	37	37
Total	<u>\$378,523</u>	<u>\$275,696</u>

n. Bonds payable

1) Details of bonds payable are as follows:

	2022.12.31	2021.12.31
Elements of liability:		
Par value of domestic convertible corporate bonds payable	\$1,220,000	\$-
Less: discount on domestic convertible corporate bonds payable	(52,608)	-
Subtotal	1,167,392	-
Less: portion due within one year	-	-
Net balance	<u>\$1,167,392</u>	<u>\$-</u>
Embedded derivative financial instruments - Redemption rights	<u>\$1,620</u>	<u>\$-</u>
Equity Element - Conversion Right	<u>\$97,348</u>	<u>\$-</u>

Please refer to Note 6.22 (4) for valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from 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: NT\$1,000,000 thousand
- (B) Date of issuance: 2022.09.12
- (C) Issuance price: Issued at 104.21% of par value
- (D) Coupon rate: 0%
- (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: Starting from the day after the 3-month period of issuance of this convertible bond to the date due (December 13, 2022), except for (I) stock transfer is halted pursuant to applicable laws; (II) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for a capital increase, until the base date for right distribution, (III) capital reduction base-date to one day before the capital reduction in issuance of shares, (iv) from the day of the cessation of the conversion of the change of the face value of the shares to the day before the start of trading of the new shares for shares, conversion may not be requested, and may be transmitted to Taiwan Depository & Clearing Corporation at any time through the brokerage (hereinafter referred to as the "TDCC") to the Company's stock agency to request in accordance with the provisions of these measures to convert the bonds held in the conversion of common shares of the Company, and in accordance with the provisions of the present Procedure.
- (H) Conversion price and 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) The Company's redemption rights:
- (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and for investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash. 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.
 - (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in

Article 9.) The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "bond recovery notice," and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash. 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.

- (3) If the creditor does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.
- (4) 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: NT\$220,000 thousand
- (B) Date of issuance: 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: Starting from the day after the 3-month period of issuance of this convertible bond (December 30, 2022) to the date due (September 29, 2025), except for (I) stock transfer is halted pursuant to applicable laws; (II) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for a capital increase, until the base date for right distribution, (III) capital reduction base-date to one day before the capital reduction in issuance of shares, (iv) from the day of the cessation of the conversion of the change of the face value of the shares to the day before the start of trading of the new shares for shares, conversion may not be requested, at any time through the brokerage to the Company's stock agency to request in accordance with the provisions of these measures to convert the bonds held in the conversion of common shares of the Company, and in accordance with the provisions of the present Procedure.
- (H) Conversion price and 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) The Company's redemption rights:
 - (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 30, 2022) to forty days before the expiration of the issuance period (August 21, 2025). When the closing market price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) The

bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.

- (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 30, 2022) to forty days before the expiration of the issuance period (August 21, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.
- (3) If the Bondholders does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.

4) In addition, the bonds of the Company have not been converted as of December 31, 2022.

o. Retirement pension plan

Defined allocation plan

The Company's employee retirement method adopts the defined allocation plan pursuant to the Labor Pension Act. Pursuant to the Act, the Company is obligated to allocate no less than 6% of its employee's monthly salary as employee pension. The Company has established employee retirement method in accordance with the Act, and allocates 6% based on each employee's salary to his/her respective individual retirement account (IRA) at the Bureau of Labor Insurance.

The Company recognized defined allocation expense of NT\$45,580 thousand and NT\$38,982 thousand in 2022 and 2021 respectively.

Defined benefit plan

The Company's employee retirement method adopts the defined benefit plan pursuant to the Labor Standards Act. Payment of employee pension is calculated on the base points of an employee's years of service and average monthly wages when the person is permitted to retire. Two base points will be assigned for 15 years (inclusive) of service or less, and for those exceeding 15 years of service, every year will be assigned an additional base point. The maximum base points allowed is 45. The Company provides a pension fund of 2% of the total salary on a monthly basis in accordance with the Labor Standards Act, and deposits it in a designated account at the Bank of Taiwan in the name of the Labor Retirement Reserve Supervisory Committee.

The Bureau of Labor Funds, Ministry of Labor, Executive Yuan, undertakes asset allocations based on the income and expenditure of the employee retirement fund. Investment of the fund is invested in self-operated and entrusted management methods, and adopts active and passive management medium- to long-term investment strategies. The Bureau of Labor Funds takes risks including market, credit, and liquidity into consideration in setting limits and control plan for the fund so that adequate flexibility can be used toward the compensation objective without excessive risk. As of December 31, 2021, the Company's defined benefit plan is expected to allocate NT\$63 thousand within the

following year.

As of December 31, 2022 and December 31, 2021, the Company's defined benefit plans are expected to expire in 2039.

The following table summarizes the costs of defined benefit plan recognized to profit or loss:

	2022	2021
Current service cost	\$-	\$-
Net interest from net defined benefit assets (liabilities)	47	15
Total	<u>\$47</u>	<u>\$15</u>

Adjustments of the present value of the defined benefit obligations and fair value of the plan assets:

	2022.12.31	2021.12.31	2021.01.01
Present value of the defined benefit obligations	\$9,316	\$10,078	\$7,562
Fair value of plan assets	(4,972)	(4,396)	(4,100)
Other non-current liabilities - net defined benefit liabilities recorded	<u>\$4,344</u>	<u>\$5,682</u>	<u>\$3,462</u>

Adjustments to the net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
2021.01.01	\$7,562	\$(4,100)	\$3,462
Current service cost	-	-	-
Interest expense (income)	32	(17)	15
Past service cost and settlement gain or loss	-	-	-
Subtotal	7,594	(4,117)	3,477
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	327	-	327
Experience-based adjustments	2,157	-	2,157
Remeasurement of defined benefit assets	-	(56)	(56)
Subtotal	2,484	(56)	2,428
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2021.12.31	10,078	(4,396)	5,682
Current service cost	-	-	-
Interest expense (income)	83	(36)	47
Past service cost and settlement gain or loss	-	-	-
Subtotal	10,161	(4,432)	5,729
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	(1,029)	-	(1,029)
Experience-based adjustments	184	-	184

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
Remeasurement of defined benefit assets	-	(316)	(367)
Subtotal	(845)	(316)	(1,162)
Benefits paid	-	-	-
Employer allocations	-	(224)	(224)
Effects of changes in foreign exchange rates	-	-	-
2022.12.31	<u>\$9,316</u>	<u>\$(4,972)</u>	<u>\$4,344</u>

The following key assumptions are used to determine the Company's defined benefit plan:

	2022.12.31	2021.12.31
Discount rate	1.46%	0.82%
Expected rate of salary increase	2.60%	2.60%

Sensitivity analysis of every material actuarial assumption:

	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.5% increase in discount rate	\$-	\$723	\$-	\$832
0.5% decrease in discount rate	793	-	916	-
0.5% increase in expected salary	780	-	895	-
0.5% decrease in expected salary	-	719	-	822

The purpose of conducting the aforementioned sensitivity analysis is to analyze the possible impact of determining a defined benefit obligation when a single actuarial assumption (e.g. discount rate or expected salary) undergoes a reasonably likely change, assuming all other assumptions remain unchanged. Since some of the actuarial assumptions are related to each other, there are few separate actuarial assumptions that undergo singular changes in reality, so the analysis has its limitations.

The methods and assumptions used in the current period of sensitivity analysis are no different from the previous periods.

p. Equity

1) Ordinary Shares

As of December 31, 2022 and December 31, 2021, the Company's authorized share capital is NT\$1,500,000 thousand and NT\$1,500,000 thousand, and has issued NT\$891,352 thousand and NT\$700,431 thousand in shares, respectively. Each share has a par value of NT\$10, and 89,135 thousand shares and 70,043 thousand shares were issued, respectively. Each share has one voting right and right to receive dividend.

In 2021, the first batch of unsecured convertible bonds issued by the Company exercised conversion rights of 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 part value of NT\$10 at 54,002 thousand shares.

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

In 2021, the exercised conversion rights issued by the Company 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 at 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.

In 2022, a total of NT\$46,748 thousand was exercised, for which 924 thousand common shares were converted. After the capital increase, the paid-in share capital was NT\$898,590 thousand, with per value of NT\$10 at 89,859 thousand shares, of which 724 thousand common shares were still pending for the Board of Directors' approval as of December 31, 2022, so the capital is recognized as a prepaid capital.

On May 31, 2021, the Company approved a surplus capital increase of NT\$ 182,241 thousand by resolution of the shareholders' meeting. On July 7, 2022, the capital increase plan was decided by the Board of Directors to use August 8 of the same year as the base date for the capital increase. The paid-in share capital after the capital increase was NT\$ 891,352 thousand, with per value of NT\$10 at 89,135 thousand shares.

2) Capital surplus

	2022.12.31	2021.12.31
Share premium of ordinary shares	\$751,748	\$714,240
Employee stock options	15,589	9,148
Stock options	97,348	-
Expired stock options	3,260	2,957
Total	<u>\$867,945</u>	<u>\$726,345</u>

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

3) Appropriation of net income and dividend policy

a) Appropriation of net income

Pursuant to the Company's Articles of Incorporation, if a surplus is available

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

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 capital 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) The Board of Directors of the Company as of February 23, 2023 and the Regular Meeting of Shareholders as of May 31, 2022, respectively, proposed and resolved the appropriation of earnings for the years 2022 and 2021, as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal capital preserve	\$70,123	\$40,499		
Special capital reserve	1,372	-		
Cash dividends for ordinary shares	422,522	182,242	\$4.70	\$2.57
Stock dividends for ordinary shares	206,766	182,241	2.30	2.57

See Note 6 (21) for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors.

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

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 4,500 units of employee stock options on November 29, 2022. 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 subscriber

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

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

Grant date of the stock options certificate	Total units issued	Execution price per unit (NT\$)
2019.12.01	1,879	\$43.00
2020.10.27	2,017	\$52.90
2022.12.15	4,500	\$287.00

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

	2019	2020	2022
Expected fluctuation rate (%)	16.56%-24.87%	13.86%-45.03%	19.31%
Risk-free interest rate (RFR) (%)	0.552%-0.580%	0.158%-0.203%	1.0935%-1.1094%
Expected year of 100% stock subscription (year)	6	6	5
Weighted-average stock price (NT\$)	82.60	86.20	287
Pricing model used	Black-Scholes	Black-Scholes	Black-Scholes

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

- 2) Information on the employee stock option plan issued for the years ended December 31, 2022 and 2021:

	2022		2021	
	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)
Outstanding stock options on January 1	3,103	\$60.52	3,896	\$60.52
Stock options granted in the current period	4,500	287.00	-	-
Stock subscriptions in the current period	(914)	54.10	(668)	54.10
Stock options expired for the period	(96)	-	(125)	-
Outstanding stock options on December 31	<u>6,593</u>	\$211.61	<u>3,103</u>	\$60.52
Executable stock options on December 31	2,093		1,166	

Weighted-average fair value of the stock options granted in the current period	\$46.76	\$-
--	---------	-----

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

<u>2022.12.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$43.00	2.92 years
Granted on October 27, 2020	\$52.90	3.82 years
Granted on December 15, 2022	\$287.00	4.96 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

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

	<u>2022</u>	<u>2021</u>
Recognized expenses due to share-based payment transactions	\$6,744	\$6,173
(All are equity delivery share-based payment)		

r. Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts		
Revenue from sale of goods	\$14,504,078	\$11,287,925
Revenue from provision of service	43,879	34,471
Total	<u>\$14,547,957</u>	<u>\$11,322,396</u>

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

1) Breakdown of revenue

	<u>2022</u>	<u>2021</u>
	<u>Single department</u>	<u>Single department</u>
Sales revenue	\$14,504,078	\$11,287,925
Service revenue	43,879	34,471
Total	<u>\$14,547,957</u>	<u>\$11,322,396</u>

Timing of revenue recognition:

At a fixed point in time	<u>\$14,547,957</u>	<u>\$11,322,396</u>
--------------------------	---------------------	---------------------

2) Contract balance

a) Contract liability - current

	2022.12.31	2021.12.31	2021.01.01
Sales of goods	\$626	\$515	\$502
Customer loyalty program	15,735	11,275	7,602
Total	<u>\$16,361</u>	<u>\$11,790</u>	<u>\$8,104</u>

Explanations of the changes in the balance of contract liabilities in 2022 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(10)	\$(5,959)
Increase in advance payment for the period	121	10,419

Explanations of the changes in the balance of contract liabilities in 2021 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(14)	\$(5,009)
Increase in advance payment for the period	27	8,682

s. Expected credit loss (gain)

	2022	2021
Operating expenses - estimated credit impairment loss		
Accounts receivable	\$-	\$-

Please refer to Note 12 for information on credit risk.

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

As of December 31, 2022

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$841,516	\$-	\$29	\$841,545
Rate of loss	0%	100%	100%	
Expected lifetime credit loss	(389)	-	(29)	(418)
Carrying Amount	<u>\$841,127</u>	<u>\$-</u>	<u>\$-</u>	<u>\$841,127</u>

As of December 31, 2021

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$806,192	\$62	\$-	\$806,254
Rate of loss	0%	100%	100%	
Expected lifetime credit loss	(356)	(62)	-	(418)
Carrying Amount	\$805,836	\$-	\$-	\$805,836

Note: None of the Company's notes receivable have become overdue.

- 2) Information on the changes in the allowances for notes receivable and accounts receivable of the Group for 2022 and 2021 is as:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$418
Recognized in the period	-	-
2022.12.31	\$-	\$418
2021.01.01	\$-	\$418
Recognized in the period	-	-
2021.12.31	\$-	\$418

t. Lease

- 1) The Company is the lessee

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

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

- a) Amount recognized in the balance sheet
i. Right-of-use assets

	<u>Building and construction</u>
Cost:	
2022.01.01	\$4,065,814
Acquisition	738,468
Disposal	(38,171)
2022.12.31	<u>\$4,766,111</u>
2021.01.01	\$3,479,481
Acquisition	693,612
Disposal	(107,279)
2021.12.31	<u>\$4,065,814</u>
Depreciation and impairment:	
2022.01.01	\$1,343,749
Depreciation	381,357
Disposal	(629)
2022.12.31	<u>\$1,724,477</u>
2021.01.01	\$1,045,110
Depreciation	318,266
Disposal	(19,627)
2021.12.31	<u>\$1,343,749</u>
Carrying amount:	
2022.12.31	<u>\$3,041,634</u>
2021.12.31	<u>\$2,722,065</u>

- ii. Lease liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Lease liabilities	<u>\$3,166,056</u>	<u>\$2,822,080</u>
Current	<u>\$387,569</u>	<u>\$303,748</u>
Non-current	<u>\$2,778,487</u>	<u>\$2,518,332</u>

Please refer to Note 6.22 (3) Financing Costs for the Company's interest expense for lease liabilities in 2022 and 2021; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of December 31, 2022 and December 31, 2021.

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

	<u>2022</u>	<u>2021</u>
Short-term lease expense	\$(46,390)	\$(24,511)
Revenue from sublease of right-of-use assets	35,143	29,730

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

c) Cash outflow related to the lessee and lease activities

The total cash outflow related to lease of the Company in 2022 and 2021 was NT\$437,733 thousand and NT\$350,656 thousand respectively.

2) The Company is the lessor

The Company classifies leases in which nearly all risks and rewards associated with the ownership of the target asset will not be transferred during the lease as operating leases.

	2022	2021
Lease revenue recognized from operating lease		
Fixed lease payment	<u>\$35,143</u>	<u>\$29,730</u>

In signing operating lease contracts, the Company has the following total amount of undiscounted lease payment as of December 31, 2021 and December 31, 2020 and for the remaining:

	2022	2021
Less than one year	\$17,936	\$20,465
More than 1 but no more than 2 years	16,041	17,974
More than 2 but no more than 3 years	15,723	16,079
More than 3 but no more than 4 years	14,018	15,761
More than 4 but no more than 5 years	9,710	14,040
More than 5 years	26,182	35,892
Total	<u>\$99,610</u>	<u>\$120,211</u>

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

Function Characteristic	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$903,297	\$903,297	\$-	\$724,243	\$724,243
Labor and health insurance expenses	-	95,969	95,969	-	80,729	80,729
Pension expenses	-	45,627	45,627	-	38,997	38,997
Remuneration of Directors	-	14,107	14,107	-	11,735	11,735
Other employee benefit expenses	-	71,321	71,321	-	55,481	55,481
Depreciation expenses	-	579,829	579,829	-	484,023	484,023
Amortization expenses	-	4,323	4,323	-	2,902	2,902

Note:

- As of December 31, 2022 and December 31, 2021, the Company had 1,857 and 1,711 employees in average in which five and three of whom were Directors who do not concurrently hold positions as employees of the Company, respectively.
- For companies whose shares are listed on the Taiwan Stock Exchange (TWSE) or the

Taipei Exchange (TPEX), the following information should also be disclosed:

- a) Average employee benefit expenses for 2022 and 2021 were NT\$603 thousand and NT\$527 thousand respectively.
- b) Average employee salary expenses for 2021 and 2020 were NT\$488 thousand and NT\$424 thousand respectively.
- c) Average employee salary adjustment has been 15.09%.
- d) The Company has set up an audit committee to replace the supervisor in accordance with the regulations.
- e) The Company's remuneration policy: on top of basic salaries, as part of the employees' compensations, the Company may distribute bonuses based on operating conditions to inspire and to retain high-performing employees. In terms of annual salary adjustments, salary adjustment items and amounts are proposed based on employees' positions and performance separately, while the Board of Directors is authorized to discuss and approve remunerations for Directors in line with the Director's level of participation in the Company's operations and value of contribution and in reference in industry practices. The Company's compensations for managers are handled in accordance with Article 29 of the Company Act.

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

Based on the Company's profitability conditions, employee compensation and remunerations of the Directors and Supervisors recognized in 2022 were NT\$26,697 thousand and NT\$5,072 thousand respectively. Employee compensation and remunerations of the Directors and Supervisors recognized in 2021 were NT\$15,357 thousand and NT\$4,556 thousand respectively. The aforementioned amounts were recorded under compensation expenses. If the Board of Directors approves of appropriation of share-based employee bonus, the closing price on the date before the Board's resolution will be used as the basis of the share distribution. If difference is found between the estimate and the actual distributions after the Board's approval, the difference will be recorded as profit or loss in the subsequent year.

On February 23, 2023, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for 2022 of NT\$26,697 thousand and NT\$5,072 thousand respectively. No material difference is found between the actual distributions and the expenses recognized on the 2022 financial statements.

The actual distribution of employee compensation and remunerations of the Directors for the year ended December 31, 2021 had no material difference from the expenses recognized in financial statements.

v. Non-operating income and expenses

1) Interest income

	2022	2021
Financial assets measured at amortized cost	<u>\$4,190</u>	<u>\$714</u>

2) Other income

	2022	2021
Rental revenue	\$35,143	\$29,730
Other income - others	7,895	10,274
Total	<u>\$43,038</u>	<u>\$40,004</u>

3) Other gains and losses

	2022	2021
Net loss from foreign exchange	\$12,544	\$(1,856)
Gains on lease modifications	502	2,598
Gain (Loss) on disposal of property, plant and equipment	1,123	101
Gain (loss) on financial assets measured at fair value through profit or loss	(434)	-
Other expenditures - other	(6)	(688)
Total	<u>\$13,729</u>	<u>\$155</u>

4) Financing costs

	2022	2021
Interest from bank loans	\$4,143	\$3,595
Interest expense from corporate bonds	5,598	195
Interest from lease liabilities	34,895	30,717
Total	<u>\$44,636</u>	<u>\$34,507</u>

w. Components of the other comprehensive income (loss)

Other comprehensive income for the year ended December 31, 2022 is as follows:

	Arising in the current period	Reclassification and adjustment in the current period	Other comprehensive income (loss)	Tax benefits	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$1,161	\$-	\$1,161	\$-	\$1,161
Unrealized gain or loss on investment in equity instruments measured at fair value through other comprehensive income	(1,167)	-	(1,167)	\$-	(1,167)
Items that may subsequently be reclassified to profit or loss:					
Exchange differences translated from the financial statements of foreign operations	(205)	-	(205)	-	(205)
Total	\$(211)	\$-	\$(211)	\$-	\$(211)

Other comprehensive income for the year ended December 31, 2021 is as follows:

	Arising in the current period	Reclassification and adjustment in the current period	Subtotal	Tax benefits (expenses)	After-tax amount
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$(2,428)	\$-	\$(2,428)	\$-	\$(2,428)

x. Income tax

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

Income tax recognized in profit or loss

	2022	2021
Current tax expenses (gains):		
Current tax payable	\$163,441	\$88,544
Adjustments in respect of current income tax of prior periods	113	103
Deferred tax expenses (gains):		
Deferred tax expenses (gains) related to initial recognition of temporary difference and its reversal	(5,485)	(4,086)
Income tax expense (profit)	<u>\$158,069</u>	<u>\$84,561</u>

Income tax recognized in other comprehensive income

	2022	2021
Deferred tax expenses (gains):		
Remeasurement of defined benefit plans	<u>\$-</u>	<u>\$-</u>

2) Adjustments of amount of income tax expense and accounting profit multiplied by applicable tax rate as follows:

	2022	2021
Profit before tax for continuing operations	<u>\$858,140</u>	<u>\$491,979</u>
Tax calculated at the domestic tax rate applicable to the income in relevant country	\$171,628	\$98,396
Tax effects of tax-exempt income	(19,300)	(12,731)
Tax effects of non-deductible expenses	5,628	(1,207)
Adjustments in respect of current income tax of prior periods	113	103
Tax expense (benefits) recognized in profit or loss	<u>\$158,069</u>	<u>\$84,561</u>

3) Deferred income tax asset (liabilities) balances related to the following items:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	\$1,248	\$1,902	\$-	\$-	\$3,150
Exchange loss (gain)	924	(2,552)	-	-	(1,628)
Deferred revenue	2,255	892	-	-	3,147
Unrealized profit on sales	6,937	5,195	-	-	12,132
Sales return	464	-	-	-	464
Investments accounted for using the equity method	-	48	-	-	48
Deferred tax (expense) /gain		<u>\$5,485</u>	<u>\$-</u>	<u>\$-</u>	
Amount of Deferred net tax asset/ (liabilities)	<u>\$11,828</u>				<u>\$17,313</u>

Information stated on balance sheet is as follows:

Deferred tax assets	<u>\$11,828</u>	<u>\$18,941</u>
Deferred income tax liabilities	<u>\$-</u>	<u>\$(1,628)</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	\$279	\$969	\$-	\$-	\$1,248
Exchange loss (gain)	658	266	-	-	924
Deferred revenue	1,520	735	-	-	2,255
Unrealized profit on sales	5,285	1,652	-	-	6,937
Sales return	-	464	-	-	464
Deferred tax (expense) /gain		<u>\$4,086</u>	<u>\$-</u>	<u>\$-</u>	
Amount of Deferred net tax asset/ (liabilities)	<u>\$7,742</u>				<u>\$11,828</u>
Information stated on balance sheet is as follows:					
Deferred tax assets	<u>\$7,742</u>				<u>\$11,828</u>
Deferred income tax liabilities	<u>\$-</u>				<u>\$-</u>

4) Filing and review of income tax

As of December 31, 2022, the Company's income tax filing and review conditions are as follows:

The Company	<u>Filing and review of income tax</u> <u>Reviewed to 2020</u>
-------------	---

y. Earnings per share (EPS)

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

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

1) Basic EPS

	2022	2021
Net income (in NT\$1,000)	<u>\$700,071</u>	<u>\$407,418</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	<u>89,145</u>	<u>87,866</u>
Basic EPS (NT\$)	<u>\$7.85</u>	<u>\$4.64</u>

2) Diluted EPS

	<u>2022</u>	<u>2021</u>
Net profit attributable to holders of ordinary shares of the parent company	\$700,071	\$407,418
Redemption gain or loss from issuance of domestic convertible bonds	434	-
Interest from convertible bonds	<u>4,580</u>	<u>174</u>
Holder's of the parent company's ordinary shares after dilutive effect		
Net profit	<u>\$705,085</u>	<u>\$407,592</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	89,145	87,866
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	99	82
Employee stock options (in 1,000 shares)	2,506	2,862
Convertible bonds (in 1,000 shares)	<u>1,207</u>	<u>192</u>
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	<u>92,957</u>	<u>91,002</u>
Diluted EPS (NT\$)	<u>\$7.59</u>	<u>\$4.48</u>

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

- a. Related parties who have had transactions with the Company during the reporting period include the following:

Name and relationship of the related parties

<u>Name of related party</u>	<u>Relations with the Company</u>
Ivy Biotechnology Co., Ltd.	Subsidiary
Bai-Lin Logistics Co., Ltd.	Subsidiary
Da Yu Property Management Co., Ltd.	Subsidiary
Great Tree Pets Co., Ltd.	Subsidiary
GREAT TREE INTERNATIONAL SDN. BHD.	Subsidiary

- b. Material transaction matters with related parties

1) Sales

	<u>2022</u>	<u>2021</u>
Bai-Lin Logistics Co., Ltd.	\$3,803,892	\$3,139,710
Great Tree Pets Co., Ltd.	-	71
Total	<u>\$3,803,892</u>	<u>\$3,139,781</u>

The transaction price of products sold to related party Bai-Lin Logistics Co., Ltd. by the Company were different from transactions with other customers and transaction prices could not be compared. The sales price of the goods sold to Great Tree Pets Co.,

Ltd. shall be negotiated by both parties with reference to market conditions, which is comparable to regular customers. Additionally, the payment term is to offset debts and liabilities and credit 30 days, respectively, while payment term for regular customers ranged from credit 60-120 days.

2) Purchases

	<u>2022</u>	<u>2021</u>
Ivy Biotechnology Co., Ltd.	<u>\$608,982</u>	<u>\$438,262</u>

Purchases from related parties were different from transactions with other suppliers and transaction prices could not be compared. Additionally, terms of sale were credit for 30 days while the terms of sale for the average customer ranged from credit for 60-90 days.

3) Lease

a) Rental revenue

<u>Name of related party</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
Ivy Biotechnology Co., Ltd.	Building and construction	\$7,198	\$7,198
Great Tree Pets Co., Ltd.	Building and construction	4,857	952
Total		<u>\$12,055</u>	<u>\$8,150</u>

4) Operating expenses

<u>Name of related party</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
Bai-Lin Logistics Co., Ltd.	Shipping fee	<u>\$15,821</u>	<u>\$12,470</u>

5) Other income

<u>Name of related party</u>	<u>2022</u>	<u>2021</u>
Great Tree Pets Co., Ltd.	<u>\$1,381</u>	<u>\$798</u>

6) Accounts receivable - related parties

	<u>2022.12.31</u>	<u>2021.12.31</u>
Ivy Biotechnology Co., Ltd.	\$116	\$34
Bai-Lin Logistics Co., Ltd.	490,032	381,782
Great Tree Pets Co., Ltd.	800	49
Less: allowance for loss	-	-
Net balance	<u>\$490,948</u>	<u>\$381,865</u>

7) Other receivables - related parties

	<u>2022.12.31</u>	<u>2021.12.31</u>
Ivy Biotechnology Co., Ltd.	\$19,868	\$27,176
Da Yu Property Management Co., Ltd.	-	1,885
Great Tree Pets Co., Ltd.	1,357	1,039
Bai-Lin Logistics Co., Ltd.	-	5,000
GREAT TREE INTERNATIONAL SDN. BHD.	158	-
Total	<u>\$21,383</u>	<u>\$35,100</u>

8) Notes payable - related parties		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$123,885	\$134,581
9) Accounts payable - related parties		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$50,379	\$50,802
Great Tree Pets Co., Ltd.	7	-
Total	\$50,386	\$50,802
10) Other payables - related parties		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$118	\$118
Bai-Lin Logistics Co., Ltd.	124	124
Da Yu Property Management Co., Ltd.	699	-
Total	\$941	\$242
11) Guarantee deposits		
	2022.12.31	2021.12.31
Ivy Biotechnology Co., Ltd.	\$240	\$240
12) Bonuses for the Company's key managerial officers		
	2022	2021
Short-term employee benefits	\$17,630	\$16,852
Retirement benefits	610	590
Share-based payment	588	895
Total	\$18,828	\$18,337

8. Assets Pledged

The Company has pledged the following assets as collateral:

Item	Carrying Amount		Content of the secured liabilities
	2022.12.31	2021.12.31	
Financial assets measured at amortized cost – current	\$24,000	\$24,000	Credit card guarantee
Financial assets measured at amortized cost - non-current	3,000	3,000	Purchase contract guarantee
Total	\$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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at fair value through profit or loss	\$1,620	\$-
Mandatorily measured at fair value through profit and loss		
Financial assets measured at fair value through other comprehensive income	48,833	-
Financial assets measured at amortized cost:		
Cash and cash equivalents	2,308,206	1,247,408
Financial assets measured at amortized cost	27,000	27,000
Notes receivable	1,902	2,144
Accounts receivable	348,277	421,827
Accounts receivable - related parties	490,948	381,865
Other receivables	113,689	43,213
Other receivables - related parties	21,383	35,100
Subtotal	<u>3,311,405</u>	<u>2,158,557</u>
Total	<u>\$3,361,858</u>	<u>\$2,158,557</u>

Financial liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial liabilities at amortized cost:		
Short-term loans	\$-	\$370,000
Accounts payable	2,734,458	2,110,003
Bonds payable (including those maturing within 12 months)	1,167,392	-
Lease liabilities	3,166,056	2,822,080
Total	<u>\$7,067,906</u>	<u>\$5,302,083</u>

b. Objective and policy of financial risk management

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

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

c. Market risk

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

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

Exchange rate risk

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

Interest rate risk

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

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases or decreases by 0.1%, the Group's 2022 and 2021 income will increase by NT\$1,445 thousand and decrease by NT\$1,244 thousand respectively.

Equity price risk

The Company 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 Company includes the category of that measured at fair value through other comprehensive income. The Company 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 Company, 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 Company's credit risk mostly comes from operating activities (mostly from accounts receivable and notes) and financing activities (mostly bank deposits and various financial instruments).

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

As of December 31, 2022 and December 31, 2021, with the exception of accounts receivable from subsidiary, Bai-Lin Logistics Co., Ltd., which accounts 58.36% and 47.48% of the Company's accounts receivable respectively, the Company has not had concentration of credit risk on individual customers, hence credit risk should be moderate.

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

The Company has adopted IFRS 9 in the valuation of expected credit loss. Receivables are measured as allowances for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk and valued 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 Company 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 financial flexibility through contracts including cash and cash equivalents, convertible bonds, and leases. The following table summarizes the maturity of the payments contained in the contracts of the Company's financial liabilities. It is compiled based on the date on which the earliest possible repayment is required using its undiscounted cash flow. The amounts listed also include contracted interest. For interest cash flow paid using variable rate, its undiscounted interest is obtained through the yield curve at the end of the reporting period.

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
<u>2022.12.31</u>							
Accounts payable	\$2,734,458	\$-	\$-	\$-	\$-	\$-	\$2,734,458
Bonds payable	-	-	1,220,000	-	-	-	1,220,000
Lease liabilities	413,068	399,158	385,835	368,667	340,649	1,345,393	3,252,770
<u>2021.12.31</u>							
Short-term loans	\$370,457	\$-	\$-	\$-	\$-	\$-	\$370,457
Accounts payable	2,110,003	-	-	-	-	-	2,110,003
Lease liabilities	362,402	357,583	343,508	329,362	311,198	1,408,694	3,112,747

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities in 2022:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2022.01.01	\$370,000	\$53,408	\$2,822,080	\$-	\$3,245,488
Cash flow	(370,000)	35,749	(391,343)	1,257,088	531,494
Non-cash changes					
Changes in scope of lease for the period	-	-	700,424	-	700,424
Others	-	-	-	(95,294)	(95,294)
Interest expenses	-	-	34,895	5,598	40,493
2022.12.31	\$-	\$89,157	\$3,166,056	\$1,167,392	\$4,422,605

Information on adjustments of liabilities in 2021:

	Short-term loans	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2021.01.01	\$370,000	\$34,602	\$2,514,146	\$40,583	\$2,959,331
Cash flow	-	18,806	(326,145)	(2,000)	(309,339)
Non-cash changes					
Changes in scope of lease for the period	-	-	603,362	-	603,362
Corporate bonds conversion	-	-	-	(38,778)	(38,778)
Interest expenses	-	-	30,717	195	30,912
2021.12.31	\$370,000	\$53,408	\$2,822,080	\$-	\$3,245,488

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 Company's method and assumptions in valuating or disclosing the fair value of financial assets and financial liabilities are as follows:

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

	Carrying value	
	2022.12.31	2021.12.31
Financial liabilities:		
Bonds payable	\$1,167,392	\$-
	<u>\$1,167,392</u>	<u>\$-</u>
	Fair value	
	2022.12.31	2021.12.31
Financial liabilities:		
Bonds payable	\$1,174,894	\$-
	<u>\$1,174,894</u>	<u>\$-</u>

3) Fair value ranked information of financial instruments

Please refer to Note 12-9 for fair value ranked information of financial instruments.

h. Derivatives

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

Embedded derivatives

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

i. Ranking of fair value

1) Definition of fair value ranking

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

Rank 1: 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) Fair value ranked information of financial instruments:

The Company has non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is as following:

December 31, 2022:

	<u>Rank 1</u>	<u>Rank 2</u>	<u>Rank 3</u>	<u>Total</u>
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$1,620	\$1,620
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	-	-	48,833	48,833

December 31, 2021: None.

Transfer between rank 1 and rank 2 of fair value ranks

There were no transfers between rank 1 and rank 2 of fair value ranks from January 1, 2021 to December 31, 2022.

Details on changes in repetitive fair value rank 3

For the Company'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	\$-	\$-
Acquisition/Issuance	2,054	50,000
Recognized in profit or loss (stated in "Other gains and losses")	(434)	-
Recognized in other comprehensive income (presented in "unrealized valuation gain or loss on equity instrument investment measured at fair value of other comprehensive income")	-	(1,167)
2022.12.31	<u>\$1,620</u>	<u>\$48,833</u>

In the total profit or loss recognized above, the amount of profit or loss related to assets held as of December 31, 2022 is NT\$ (434) thousand.

Information on material unobservable input in 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:

December 31, 2022

	Valuation techniques	Material unobservable input value	Quantitative information	Relations between input value and fair value	Sensitivity analysis value relationship between input value and fair value
Financial assets:					
<u>Measured at fair value through profit and loss</u>					
Embedded derivatives	Binary tree convertible bond valuation model	Volatility	45.91% ~45.98%	The higher the volatility, the higher the fair value estimates	When the volatility increases (decreases) by 1%, the profit or loss on the Group will increase/decrease by NT\$222 thousand
<u>Financial assets at fair value through other comprehensive income (loss)</u>					
Stock	Market Law	Lack of liquidity discount	30%	The higher the degree of lack of liquidity, the lower the fair value estimation	When the percentage of lack of liquidity increases (decreases) by 1%, the equity in the Company will decrease/increase by NT\$44 thousand

December 31, 2021: None.

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

December 31, 2022:

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Corporate bonds payable (detailed note 6.14)	\$-	\$-	\$1,174,894	\$1,174,894

December 31, 2021: None.

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

The most important objective of the Company's capital management is to ensure that a healthy credit rating and positive capital ratio can be preserved to support the maximization of business management and shareholders' rights. The Company 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) Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests): please refer to Table 1.
 - 4) The Company's cumulative buy or sell of an individual marketable security of at least NT\$300 million or 20% of the paid-in capital in this period: None.
 - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: 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 of the Company: None.
- b. Information on reinvestments:
- 1) When it has a significant influence or control over the investee company, the relevant information of the investee company (excluding the mainland China investee company) should be disclosed: please refer to 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) Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests): None.
 - d) Cumulative buy or sell of an individual marketable security of at least NT\$300 million or 20% of the paid-in capital in this period: None.
 - 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 NT\$100 million or 20% more than the paid-in capital: please refer to Table 7.

i) Derivatives transactions: None.

c. Information on investments in Mainland China: None.

d. Information on Substantial Shareholders

Name of substantial shareholder	Number of shares held	Shareholding ratio
Jun Wei Investment Co., Ltd.	11,907,440	13.25%
Zhen Han Investment Co., Ltd.	9,885,264	11.00%
Hao Cheng Investments Co., Ltd.	6,897,715	7.67%
Feastogether Group Co., Ltd.	4,527,254	5.03%

14. Departmental Information

The Company has already disclosed information on departments on the Consolidated Financial Statements.

Table 1**Great Tree Pharmacy Co., Ltd.****Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests)****December 31, 2022**

Unit: in NT\$1,000

Name of Held Company	Types and names of securities (Note 1)	Relationship with securities issuer (Note 2)	Financial statement account	End of the Period				Notes (Note 3)
				Number of shares/units	Carrying amount	Shareholding ratio	Fair value	
Great Tree Pharmacy Co., Ltd.	<u>Stock</u> Top Taiwan XIV Venture Capital Co.,Ltd.	-	Measured at fair value through other comprehensive income of financial assets Less: Valuation adjustment of equity instruments measured at fair value through other comprehensive income	5,000,000	\$50,000 (1,167)	2.50%	\$48,833	None
			Total		\$48,833			

Note 1: The term “marketable securities” as used in this table refers to stocks, bonds, beneficiary certificates and securities derived from the above-mentioned items within the scope of IAS 9 “Financial Instruments”.

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.
Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital
January 1, 2022 to December 31, 2022
 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 the contract

Note: Jointly bid with Company A and won the bid with a total price of NT\$1,679,968 thousand on July 28, 2021.

Table 3**Great Tree Pharmacy Co., Ltd.****Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital****January 1, 2022 to December 31, 2022**

Unit: in NT\$1,000

company that imports (sells) goods	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark
			Imports (sale) goods	Amount	Ratio to total inputs (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total notes receivable (paid) to accounts receivable	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	\$3,803,892	26.15%	Offset of debts and claims	No other customers for comparison	Non-related parties: 60-120 days credit	Accounts receivable \$490,032	58.36%	
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	\$608,982	5.33%	Credit 30 days	No other vendor for comparison	Non-related parties: 60-90 days credit	Notes payable \$123,885	14.75%	
									Accounts payable \$50,379	3.33%	

Great Tree Pharmacy Co., Ltd.

Receivables from related parties amounting to at least NT\$ 100 million or exceeding 20% of paid-in capital:

December 31, 2022

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	\$490,032	8.73	\$-	-	\$49,716	\$-

Table 5

Great Tree Pharmacy Co., Ltd.

When it has a significant influence or control over the investee company, it should disclose the relevant information of the investee company (excluding the mainland China investee company)

December 31, 2022

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	Rate %	Carrying amount			
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	No. 145, Chengzhang Fourth Street, Zhongjiao 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%	\$143,161	\$114,183	\$87,480 (Note 1)	
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%	\$8,381	\$5,420	\$5,420	
Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	No. 143, Chengzhang Fourth Street, Zhongxiaoli 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%	\$62,166	\$(21,941)	\$(21,941)	
Great Tree Pharmacy Co., Ltd.	GREATTREE INTERNATIONAL SDN. BHD.	No. 39-1, Jalan Anggerik Vanilla BF 31/BF, Kota Kemuning, Seksyen 31, 40460 Shan Alam, Selangor, Malaysia	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs and other products	\$10,257 (Note 2)	Not applicable	1,500,000 shares	75.00%	\$9,815	\$(315)	\$(237)	
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	No. 143, Chengzhang Fourth Street, Zhongjiao 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%	\$31,706	\$1,278	\$767	

Note 1: Includes income from investment recognized using equity method for the period of NT\$114,183 thousand, write-off for lease transaction with related party NT\$724 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\$60,661 thousand.

Note 2: On November 11, 2021, the Company was resolved by the Board of Directors to expand its business in mainland China. A wholly-owned subsidiary of Greattree Pharmacy Hong Kong Limited was established by direct investment of the Company and registration was completed on April 8, 2022. Greattree Sugi Pharmacy Hong Kong Limited was established by Greattree Pharmacy Hong Kong Limited with a shareholding ratio of 60%. The registration was completed on October 26, 2022. As of December 31, 2022 the investment amount has not yet been remitted.

Table 6**Great Tree Pharmacy Co., Ltd.****Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital****January 1, 2022 to December 31, 2022**

Unit: in NT\$1,000

company that imports (sells) goods	Counterparty	Relations	Transaction conditions			Terms that are different from the average transactions		Notes and accounts receivable (payable)		Remark	
			Imports (sale) goods	Amount	Ratio to total inputs (sales)	Credit period	Unit price	Credit period	Balance		Ratio of total notes receivable (paid) to accounts receivable
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	\$608,982	99.93%	Credit 30 days	No other customers for comparison	Non-related parties 30-60 days credit	Notes receivable \$123,885 Accounts receivable \$50,379	99.88% 99.94%	
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$3,803,892	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable \$490,032	100.00%	

Great Tree Pharmacy Co., Ltd.

Receivables from related parties amounting to at least NT\$ 100 million or exceeding 20% of paid-in capital:

December 31, 2022

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	<u>\$174,264</u>	<u>3.39</u>	<u>\$-</u>	-	<u>\$51,308</u>	<u>\$-</u>

STATEMENT 1**Great Tree Pharmacy Co., Ltd.****1. Statement of Cash and Cash Equivalents****December 31, 2022**

Unit: Thousands of New Taiwan Dollars (NT\$1,000) / thousands of foreign currency

Item	Summary	Amount	Remark
Cash on hand and petty cash		<u>\$10,534</u>	1. Exchange rate on December 31, 2022: USD 1 = NTD 30.71 CNY 1 = NTD 4.408 JPY 1 = NTD 0.2324 2. The cash and bank deposits listed have not had conditions of endorsement/guarantee. 3. The balance for all other customers did not exceed 5% of the balance of this account.
Check and demand deposit:			
Chang Hwa Bank - North Zhongli Branch	Demand deposit and checking account	336,825	
CTBC Bank - Zhongli Branch	Demand deposit	210,769	
Taichin Bank - Zhongli Branch	Demand deposit	390,125	
E.Sun Commercial Bank - South Taoyuan Branch	Demand deposit	89,047	
Cathay United Bank - Shimao Branch	Demand deposit	117,689	
Others		<u>177,347</u>	
Subtotal		<u>1,321,802</u>	
Fixed deposit:			
SCSB - Zhongli Branch	Fixed deposit	114,550	USD 2,000
Chang Hwa Bank - North Zhongli Branch	Fixed deposit	200,000	
Chang Hwa Bank - North Zhongli Branch	Foreign Currency Fixed deposit	61,320	
HSBC Bank	Fixed deposit	200,000	
E.Sun Commercial Bank - South Taoyuan Branch		200,000	
CTBC Bank - Dunnan Branch		<u>200,000</u>	
Subtotal		<u>975,870</u>	
Total		<u>\$2,308,206</u>	

STATEMENT 2**Great Tree Pharmacy Co., Ltd.****2. Details on Net Accounts Receivable****December 31, 2022**

Unit: in NT\$1,000

Name of customer	Summary	Amount	Remark
Others	Balance from each customer does not exceed 5% of the balance of this account.	\$348,695	Accounts receivable listed to the left arise from Sale of goods from non-related party.
Less: allowance for loss		<u>(418)</u>	
Net balance		<u>\$348,277</u>	

STATEMENT 3**Great Tree Pharmacy Co., Ltd.**
3. Details on Other Receivables
December 31, 2022
Unit: in NT\$1,000

Item	Amount	Remark
Discount on purchases receivable	\$108,452	Note: The balance for all other customers did not exceed 5% of the balance of this account.
Others	<u>5,237</u>	
Total	<u><u>\$113,689</u></u>	

STATEMENT 4**Great Tree Pharmacy Co., Ltd.****4. Details on Inventories, Net****December 31, 2022**

Unit: in NT\$1,000

Item	Amount		Remark
	Cost	Net Realizable Value	
Commodity	\$2,272,074	<u>\$5,148,862</u>	1. The inventory listed to the left have not had conditions of endorsement/guarantee. 2. Except for same-type inventories, the comparison of cost and net realizable value should be compared one-by-one.
Less: allowance for valuation and obsolescence loss	(15,751)		
Net balance	<u>\$2,256,323</u>		

STATEMENT 5**Great Tree Pharmacy Co., Ltd.****5. Details on changes in financial assets measured at fair value through other comprehensive income****December 31, 2022**

Unit: in NT\$1,000 / thousands of shares

Name	Beginning balance		Increase in the period		Decrease in the period		Ending balance		Conditions of provision of guarantee or pledge	Remark
	Shareholding	Amount	Shareholding	Amount	Shareholding	Amount	Shareholding	Carrying value		
Stock										
Top Taiwan XIV Venture Capital Co.,Ltd.	-	\$-	5,000	\$50,000	-	\$-	5,000	\$50,000	None	
Add: Valuation adjustment		-		-		1,167		(1,167)		
Total		\$-		\$50,000		\$1,167		\$48,833		

STATEMENT 6

Great Tree Pharmacy Co., Ltd.

6. Details on Changes in Investments Accounted for Using the Equity Method

January 1, 2022 to December 31, 2022

Unit: in NT\$1,000

Investee	Beginning balance		Increase in the period		Decrease in the period		Ending balance			Market value or net value		Collateral or pledge	Remark
	Shareholding	Amount	Shareholding	Amount	Shareholding	Amount	Shareholding	Shareholding ratio	Amount	Unit Price (NT\$)	Total price		
Ivy Biotechnology Co., Ltd.	5,900,000	\$115,035	-	87,480 (Note 1)	-	\$(59,354) (Note 2)	5,900,000	100.00%	\$143,161	\$34.47	\$203,396	None	
Bai-Lin Logistics Co., Ltd.	200,000	6,661	-	5,420	-	(3,700) (Note 2)	200,000	100.00%	8,381	41.91	8,381	None	
Great Tree Pets Co., Ltd.	3,000,000	24,107	6,000,000	60,000	-	(21,941)	9,000,000	100.00%	62,166	6.91	62,166	None	
GREAT TREE INTERNATIONAL SDN. BHD.	-	-	1,500,000	10,257	-	(442)	1,500,000	75.00%	\$9,815	6.54	\$9,815	None	
Total		<u>\$145,803</u>		<u>\$163,157</u>		<u>\$(85,437)</u>			<u>\$223,523</u>		<u>\$283,758</u>		

Note 1: Includes income from investment recognized using equity method for the period of NT\$114,183 thousand, write-off for lease transaction with related party NT\$724 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\$60,661 thousand.

Note 2: is the cash dividend received from the investee company.

STATEMENT 7**Great Tree Pharmacy Co., Ltd.****7. Details on Other Non-Current Assets****December 31, 2022**

Unit: in NT\$1,000

Item	Amount	Remark
Prepaid equipment	\$11,708	
Refundable deposits		
Rental deposit	98,770	
Land Tender Fees	83,998	
Others	14,312	
Subtotal	197,080	
Total	\$208,788	

STATEMENT 8**Great Tree Pharmacy Co., Ltd.****8. Details on Notes Payable****December 31, 2022**

Unit: in NT\$1,000

Name of supplier	Summary	Amount	Remark
Keng Fong Co., Ltd.		\$36,444	
Maoyuan Pharmaceutical Co., Ltd.		47,356	
Zuellig Pharma Inc.		84,082	
Snow Brand Taiwan Co., Ltd		49,689	
Others	The balance for all other customers did not exceed 5% of the balance of this account.	498,447	All the notes listed on the left arise from non-related parties Notes.
Total		<u>\$716,018</u>	

STATEMENT 9

Great Tree Pharmacy Co., Ltd.
9. Details on Accounts Payable
December 31, 2022
Unit: in NT\$1,000

Name of supplier	Summary	Amount	Remark
Zuellig Pharma Inc.		\$120,737	
Others	Balance from each customer does not exceed 5% of the balance of this account.	1,343,968	All balance from non-related parties.
Total		<u>\$1,464,705</u>	

STATEMENT 10**Great Tree Pharmacy Co., Ltd.****10. Details on Other Payables****December 31, 2022**

Unit: in NT\$1,000

Item	Amount	Remark
Salary and bonus payable	\$154,529	
Employee compensation payable	42,054	
Remunerations of the Directors and Supervisors payable	5,072	
Equipment payable	25,067	
Insurance expenses payable	17,559	
Service fees payable	1,797	
Pension payable	8,686	
Net defined benefit liabilities	37	
Others	123,722	
Total	<u>\$378,523</u>	

STATEMENT 11**Great Tree Pharmacy Co., Ltd.****11. Details on Changes in Tax Liabilities in the Period****January 1, 2022 to December 31, 2022**

Unit: in NT\$1,000

Item	Amount	Remark
Beginning balance	\$69,042	
Add: estimated income tax of profit-making business in the current period for 2022	163,441	
Adjustments in respect of current income tax of prior periods	113	
Less: 2021 business income tax paid in the period	(69,155)	
Temporary and interest withholding tax paid for this period	<u>(44,634)</u>	
Ending balance	<u><u>\$118,807</u></u>	

STATEMENT 12**Great Tree Pharmacy Co., Ltd.****12. Details on Lease Liabilities****December 31, 2022**

Unit: in NT\$1,000

Item	Lease term	Discount rate	Ending balance	Remark
Building and construction	2006/2/1~2037/12/15	1.20%	\$3,166,056	
less: lease liabilities due within 12 months			<u>(378,569)</u>	
Lease liabilities due after 1 year or more			<u>\$2,787,487</u>	

Great Tree Pharmacy Co., Ltd.**13. Details on Changes in Net Defined Benefit Liabilities****January 1, 2022 to December 31, 2022**

Unit: in NT\$1,000

Item	Amount	Remark
Beginning balance	\$5,645	
Add: beginning recognition of expenses payable	37	
Recognized in the period	47	
Actuarial gain (loss)	(1,161)	
Less: appropriated to Department of Trust, Bank of Taiwan in the period	(224)	
Ending balance of expenses payable	<u>(37)</u>	
Ending balance	<u><u>\$4,307</u></u>	

Great Tree Pharmacy Co., Ltd.
14. Details on Guarantee Deposit
December 31, 2022
Unit: in NT\$1,000

Item	Amount	Remark
Purchase guarantee for suppliers	\$72,899	
Rental deposit	<u>16,258</u>	
Total	<u><u>\$89,157</u></u>	

STATEMENT 15**Great Tree Pharmacy Co., Ltd.**
15. Details on Net Operating Revenue
January 1, 2022 to December 31, 2022
Unit: in NT\$1,000

Item	Quantity (Note)	Amount	Remark
Sales revenue			
Maternity and infant products		\$5,211,761	Note: The Company is a chain pharmacy channel and sells many types of products with varying quantities. Therefore, a consistent count of quantities sold is not possible.
National Health Insurance (NHI) prescription drugs		2,090,359	
Health care supplements		3,830,110	
Health care products		2,788,309	
Others		583,539	
Service revenue		43,879	
Total		<u>\$14,547,957</u>	

Great Tree Pharmacy Co., Ltd.
16. Details on Net Operating Costs
January 1, 2022 to December 31, 2022
Unit: in NT\$1,000

Item	Amount	Remark
Acquired cost of sales		
Beginning inventory	\$1,538,841	
Add: net purchases in the period	11,425,620	
Less: ending inventory	(2,272,074)	
Inventory scrapped	(22,024)	
Loss on physical inventory	(10,065)	
Cost of goods sold	<u>10,660,298</u>	
Add: scrapped inventory	22,024	
Loss on physical inventory	10,065	
Loss on inventory from market value decline	9,509	
Operating costs	<u><u>\$10,701,896</u></u>	

STATEMENT 17**Great Tree Pharmacy Co., Ltd.****17. Details on Selling and Marketing Expenses****January 1, 2022 to December 31, 2022**

Unit: in NT\$1,000

Item	Amount	Remark
Salary expenses	\$701,241	
Rental expenses	40,589	
Shipping fee	181,956	
Postage	8,994	
Repair costs	20,531	
Advertisement fee	41,666	
Water, electricity, and gas fee	52,150	
Insurance fee	68,586	
Depreciation	544,480	
Amortization	1,105	
Food expenses	39,746	
Employee benefits	13,227	
Employee compensation	20,238	
Pharmacy service fee	707,599	
Training fee	13	
Others	228,141	
Total	<u>\$2,670,262</u>	

STATEMENT 18**Great Tree Pharmacy Co., Ltd.**
18. Details on Administration Expenses
January 1, 2022 to December 31, 2022
Unit: in NT\$1,000

Item	Amount	Remark
Salary expenses	\$230,135	
Rental expenses	5,801	
Shipping fee	16,475	
Advertisement fee	6,239	
Insurance fee	30,250	
Depreciation	35,349	
Amortization	3,218	
Food expenses	14,513	
Employee benefits	2,259	
Training fee	1,340	
labor expense	14,668	
Employee compensation	6,459	
Remunerations of the Directors and Supervisors	5,072	
Honorarium for Directors and Supervisors	109	
Others	32,815	
Total	<u>\$404,702</u>	