

Great Tree Pharmacy Co., Ltd. and Subsidiaries  
Consolidated Financial Statements and Independent Auditors'  
Review Report  
For the Six Months Ended June 30, 2023 and 2022

Company address: 18F., No. 186, Fuxing Road, Taoyuan Dist., Taoyuan City  
Company Phone: (03) 433-3123

*Notice to Reader:*

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

## Consolidated Financial Statements

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## Independent Auditors' Review Report

To Great Tree Pharmacy Co., Ltd.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Great Tree Pharmacy Co., Ltd. (the “Company”) and its subsidiaries as of June 30, 2023 and 2022, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months and six months ended June 30, 2023 and 2022, Changes in Equity and Cash Flows for the six-month periods then ended, as well as Notes to the Consolidated Financial Statements, including the Summary of Significant Accounting Policies (together “the Consolidated Financial Statements”). The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of June 30, 2023 and 2022, and its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022 and its consolidated cash flows for the six-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Ernst & Young  
Financial Report of TWSE Listed Company as Authorized by  
the Competent Authority  
Auditing and Attestation No. (2017) FSC No. 1060026003  
No. (2002)TCZ(VI) 144183

Lo Hsiao-Chin

Certified Public Accountant (CPA)

Chang Chih-Ming

August 10, 2023

Great Tree Pharmacy Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
As of June 30, 2023, December 31, 2022, and June 30, 2022  
(June 30, 2023 and June 30, 2022 were reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)  
(Amounts expressed in thousands of New Taiwan Dollars)

Asset			June 30, 2023		December 31, 2022		June 30, 2022	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6.1	\$2,060,377	20	\$2,458,409	24	\$1,707,445	19
1136	Financial assets measured at amortized cost	6.4 and 8	24,000	-	24,000	1	24,000	-
1150	Notes receivable, net	6.5	1,216	-	2,052	-	1,543	-
1170	Accounts receivable, net	6.6	532,557	5	428,696	4	476,727	6
1200	Other receivables		57,291	1	114,634	1	11,684	-
1300	Inventory	6.7	2,841,854	28	2,632,098	26	2,409,979	27
1410	Prepayments		93,045	1	77,500	1	70,377	1
1470	Other current assets		8,878	-	7,773	-	3,884	-
	Total current assets		5,619,218	55	5,745,162	57	4,705,639	53
15xx	Non-current assets							
1510	Financial assets measured at fair value through profit and loss	6.2 and 6.13	2,408	-	1,620	-	-	-
1517	Financial assets measured at fair value through other comprehensive income	6.3	84,148	1	48,833	1	50,000	1
1535	Financial assets measured at amortized cost	6.4 and 8	3,000	-	3,000	-	3,000	-
1600	Property, plant and equipment	6.8	839,449	8	830,729	8	773,555	9
1755	Right-of-use assets	6.19	3,301,557	33	3,222,775	32	3,057,899	35
1780	Intangible assets	6.9	29,034	-	27,626	-	26,986	-
1840	Deferred tax assets	4 and 6.23	31,271	-	25,880	-	13,238	-
1900	Other non-current assets	6.10	283,342	3	212,844	2	191,213	2
	Total non-current assets		4,574,209	45	4,373,307	43	4,115,891	47
1xxx	Total assets		\$10,193,427	100	\$10,118,469	100	\$8,821,530	100

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
As of June 30, 2023, December 31, 2022, and June 30, 2022  
(June 30, 2023 and June 30, 2022 were reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)  
(Amounts expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			June 30, 2023		December 31, 2022		June 30, 2022	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term loans	6.11	\$-	-	\$-	-	\$370,000	4
2130	Contract liabilities	6.17	22,728	-	16,451	-	17,481	-
2150	Notes payable		406,405	4	765,473	8	580,237	7
2170	Accounts payable		1,617,690	16	1,535,533	15	1,736,526	20
2200	Other payables	6.12 and 6.14	737,032	8	391,984	4	489,355	6
2230	Tax liabilities for the period	4 and 6.23	90,251	1	140,397	1	94,685	1
2280	Lease liabilities	6.19	422,093	4	401,958	4	376,717	4
2300	Other current liabilities		50,630	-	27,362	-	131,365	1
	Total current liabilities		3,346,829	33	3,279,158	32	3,796,366	43
25xx	Non-current liabilities							
2530	Bonds payable	6.13	1,176,734	11	1,167,392	12	-	-
2572	Deferred tax liabilities	6.23	2,002	-	1,628	-	653	-
2580	Lease liabilities	6.19	3,015,919	30	2,949,493	29	2,796,895	32
2640	Net defined benefit liabilities	6.14	4,307	-	4,307	-	5,645	-
2645	Guarantee deposits		103,112	1	91,755	1	75,874	1
	Total non-current liabilities		4,302,074	42	4,214,575	42	2,879,067	33
2xxx	Total liabilities		7,648,903	75	7,493,733	74	6,675,433	76
31xx	Equity attributable to shareholders of parent company							
3100	Share capital	6.15						
3110	Ordinary share capital		899,185	9	891,352	9	709,111	8
3140	Share capital collected in advance		232	-	7,239	-	-	-
3150	Unappropriated stock dividends		206,766	2	-	-	182,241	2
3200	Capital surplus	6.15	886,197	9	867,945	9	737,608	8
3300	Retained earnings	6.15						
3310	Legal capital reserve		203,591	2	133,468	1	133,468	2
3320	Special reserve		1,372	-	-	-	-	-
3350	Unappropriated earnings		324,593	3	701,696	7	362,859	4
3400	Other equity		(1,818)	-	(1,372)	-	-	-
36xx	Non-controlling interests	6.15	24,406	-	24,408	-	20,810	-
3xxx	Total equity		2,544,524	25	2,624,736	26	2,146,097	24
	Total liabilities and equity		\$10,193,427	100	\$10,118,469	100	\$8,821,530	100

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the three months and six months ended June 30, 2023 and 2022  
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)  
(Amounts expressed in thousands of New Taiwan Dollars, except for earnings per share)

Code	Item	Note	2023.04.01~2023.06.30		2022.04.01~2022.06.30		2023.01.01~2023.06.30		2022.01.01~2022.06.30	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue	6. 17	\$4,074,373	100	\$3,965,182	100	\$7,888,456	100	\$7,159,008	100
5000	Operating costs		(2,949,769)	(72)	(2,868,862)	(72)	(5,715,835)	(72)	(5,221,400)	(73)
5900	Operating gross profit		1,124,604	28	1,096,320	28	2,172,621	28	1,937,608	27
6000	Operating expenses									
6100	Selling and marketing expenses		(793,408)	(20)	(692,376)	(17)	(1,530,053)	(20)	(1,291,490)	(18)
6200	General and administrative expenses		(125,960)	(3)	(104,375)	(3)	(250,064)	(3)	(206,549)	(3)
6450	Expected credit (loss) gain	6. 18	-	-	588	-	-	-	(186)	-
	Total operating expenses		(919,368)	(23)	(796,163)	(20)	(1,780,117)	(23)	(1,498,225)	(21)
6900	Operating profit		205,236	5	300,157	8	392,504	5	439,383	6
7000	Non-operating income and expenses									
7100	Interest income	6. 21	4,763	-	392	-	7,647	-	558	-
7010	Other income	6. 21	14,343	-	12,398	-	34,560	-	27,882	-
7020	Other gains and losses	6. 21	1,831	-	4,502	-	3,835	-	8,299	-
7050	Financing costs	6. 21	(14,465)	-	(9,727)	-	(28,828)	-	(19,195)	-
	Total non-operating income and expenses		6,472	-	7,565	-	17,214	-	17,544	-
7900	Net profit before tax		211,708	5	307,722	8	409,718	5	456,927	6
7950	Income tax expenses	4 and 6. 23	(44,800)	(1)	(63,198)	(2)	(85,892)	(1)	(94,348)	(1)
8200	Net income		166,908	4	244,524	6	323,826	4	362,579	5
8300	Other comprehensive income (loss)	4 and 6.22								
8360	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation		(448)	-	-	-	(594)	-	-	-
	Comprehensive income (loss) (net value after tax) for this period		(448)	-	-	-	(594)	-	-	-
8500	Total comprehensive income (loss)		\$166,460	4	\$244,524	6	\$323,232	4	\$362,579	5
8600	Net income (loss) attributable to:									
8610	Owners of the parent company		\$166,834	4	\$244,431	6	\$323,682	4	\$362,395	5
8620	Non-controlling interests		74	-	93	-	144	-	184	-
			\$166,908	4	\$244,524	6	\$323,826	4	\$362,579	5
8700	Total comprehensive income attributable to:									
8710	Owners of the parent company		\$166,498	4	\$244,431	6	\$323,236	4	\$362,395	5
8720	Non-controlling interests		(38)	-	93	-	(4)	-	184	-
			\$166,460	4	\$244,524	6	\$323,232	4	\$362,579	5
9750	Basic ESP (NT\$)	6. 24	\$1.86		\$2.74		\$3.60		\$4.07	
9850	Diluted EPS (NT\$)	6. 24	\$1.77		\$2.67		\$3.41		\$3.96	

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the six months ended June 30, 2023 and 2022  
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)  
(Amounts expressed in thousands of New Taiwan Dollars)

	Item	Equity attributable to shareholders of parent company									Non-controlling interests	Total equity	
		Share capital	Share capital collected in advance	Unappropriated stock dividends	Capital surplus	Retained earnings			Other equity items				Total
						Legal capital reserve	Special reserve	Unappropriated earnings	Exchange differences translated from the financial statements of foreign operations	Unrealized (loss), gain on financial assets measured at fair value through other comprehensive profit or loss			
Code		3100	3140	3150	3200	3310	3320	3350	3410	3420	31XX	36XX	3XXX
A1	Balance as of January 1, 2022	\$700,431	\$6,679	\$-	\$726,345	\$92,969	\$-	\$405,446	\$-	\$-	\$1,931,870	\$20,626	\$1,952,496
B1	Appropriation and distribution of earnings in 2021												
B1	Provision of legal capital reserve					40,499		(40,499)			-		-
B5	Cash dividends							(182,242)			(182,242)		(182,242)
B9	Share dividends			182,241				(182,241)			-		-
D1	Net income for the six months ended June 30, 2022							362,395			362,395	184	362,579
D3	Other comprehensive income (loss) for the six months ended June 30, 2022												
D5	Total comprehensive income (loss)	-	-	-	-	-	-	362,395	-	-	362,395	184	362,579
N1	Share-based payment transactions	8,680	(6,679)		8,820						10,821		10,821
T1	Others - issuance of employee stock options				2,443						2,443		2,443
Z1	Balance as of June 30, 2022	\$709,111	\$-	\$182,241	\$737,608	\$133,468	\$-	\$362,859	\$-	\$-	\$2,125,287	\$20,810	\$2,146,097
A1	Balance as of January 1, 2023	\$891,352	\$7,239	\$-	\$867,945	\$133,468	\$-	\$701,696	\$(205)	\$(1,167)	\$2,600,328	\$24,408	\$2,624,736
B1	Appropriation and distribution of earnings in 2022												
B1	Provision of legal capital reserve					70,123		(70,123)			-		-
B3	Provision of Special reserve						1,372	(1,372)			-		-
B5	Cash dividends							(422,522)			(422,522)		(422,522)
B9	Share dividends			206,766				(206,766)			-		-
D1	Net income for the six months ended June 30, 2023							323,682			323,682	144	323,826
D3	Other comprehensive income (loss) for the six months ended June 30, 2023								(446)		(446)	(148)	(594)
D5	Total comprehensive income (loss)	-	-	-	-	-	-	323,682	(446)	-	323,236	(4)	323,232
I1	Convertible corporate bond conversion	7			185						192		192
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed							(2)			(2)	2	-
N1	Share-based payment transactions	7,826	(7,007)		3,379						4,198		4,198
T1	Others - issuance of employee stock options				14,688						14,688		14,688
Z1	Balance as of June 30, 2023	\$899,185	\$232	\$206,766	\$886,197	\$203,591	\$1,372	\$324,593	\$(651)	\$(1,167)	\$2,520,118	\$24,406	\$2,544,524

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI

Great Tree Pharmacy Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Six Months Ended June 30, 2023 and 2022  
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)  
(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	Q2 2023	Q2 2022	Code	Item	Q2 2023	Q2 2022
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for the period	\$409,718	\$456,927	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(35,315)	(50,000)
A20000	Adjustment items:			B02700	Acquisition of property, plant and equipment	(146,835)	(135,427)
A20010	Adjustments:			B03700	(Increase) decrease in refundable deposits	(47,464)	(92,083)
A20100	Depreciation expense (including right-of-use assets)	332,178	286,366	B04500	Acquisition of intangible assets	(6,883)	(8,611)
A20200	Amortization expenses	5,475	2,155	BBBB	Net cash inflow (outflow) from investing activities	(236,497)	(286,121)
A20300	Amount of expected credit impairment loss (gain)	-	186				
A20400	Net loss on financial assets measured at fair value through profit and loss	(788)	-	CCCC	Cash flow from financing activities:		
A20900	Interest expenses	28,828	19,195	C03000	Increase (decrease) in guarantee deposits received	11,357	19,869
A21200	Interest income	(7,647)	(558)	C04020	Repayment of principal on loan	(226,345)	(188,913)
A21900	Cost of share-based payments	14,688	2,443	C04800	Employees exercising share option	4,198	10,821
A29900	Other item - gain on lease modification	(1,224)	(502)	CCCC	Net cash inflow (outflow) from financing activities	(210,790)	(158,223)
A30000	Changes in assets/liabilities related to operating activities:						
A31130	(Increase) decrease in notes receivable	836	601	DDDD	Effect of changes in exchange rate on cash and cash equivalents	(593)	-
A31150	(Increase) decrease in accounts receivable	(103,861)	(8,185)				
A31180	(Increase) decrease in other receivables	57,350	32,728	EEEE	Increase (decrease) in cash and cash equivalents for the period	(398,032)	398,976
A31200	(Increase) decrease in inventory, net	(209,756)	(570,511)	E00100	Beginning balance of cash and cash equivalents	2,458,409	1,308,469
A31230	(Increase) decrease in prepayments	(15,545)	(29,240)	E00200	Ending balance of cash and cash equivalents	\$2,060,377	\$1,707,445
A31240	(Increase) decrease in other current assets	(1,105)	6,614				
A32125	Increase (decrease) in contract liabilities	6,277	5,579				
A32130	Increase (decrease) in notes payables	(359,068)	(3,880)				
A32150	Increase (decrease) in accounts payables	82,157	598,208				
A32180	Increase (decrease) in other payables	(78,348)	20,524				
A32230	Increase (decrease) in other current liabilities	23,268	104,693				
A33000	Cash inflow (outflow) from operating activities	183,433	923,343				
A33100	Interest received	7,647	558				
A33300	Interest paid	(170)	(1,849)				
A33500	Income tax paid	(141,062)	(78,732)				
AAAA	Net cash inflow (outflow) from operating activities	49,848	843,320				

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

Chairman: CHENG MING LUNG

General Manager: CHENG MING LUNG

Accounting Manager: WU SHU YI



Great Tree Pharmacy Co., Ltd. and Subsidiaries  
Notes to Consolidated Financial Statement  
For the Six Months Ended June 30, 2023 and 2022  
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)  
(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

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**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 18F., No. 186, Fuxing Road, Taoyuan District, Taoyuan City.

**2. Dates and Procedures of Approving Financial Statements**

The consolidated financial statements for the six months ended June 30, 2023 and 2022 of the Company and its subsidiaries (hereinafter referred to as "the Group") have been approved and announced by the Board of Directors on August 10, 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 Group has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application since January 1, 2023. The first-time application has had no significant impact on the Group.

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

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending resolution from the IASB
2	IFRS 17 - Insurance Contracts	January 1, 2023
3	Liabilities classified as current or non-current (amendment to IAS 1)	January 1, 2024
4	Lease liabilities of sales and leaseback (amendment to IFRS 16)	January 1, 2024
5	Non-current liabilities in contracts (amendment to IAS 1)	January 1, 2024
6	International Tax Reform-Pillar Two Model Rules(amendment to IAS 12)	January 1, 2023
7	Supplier finance arrangement(amendment to IAS 7 and IFRS 7)	January 1, 2024

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

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

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

- 2) IFRS 17 - Insurance Contracts

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition

measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the carrying amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

4) Lease liabilities of sales and leaseback (amendment to IFRS 16)

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

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

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

6) International Tax Reform-Pillar Two Model Rules(amendment to IAS 12)

This amendment introduces a temporary exception to the requirements for the recognition of deferred income tax assets and liabilities related to Pillar II income tax and the disclosure of relevant information; and introduces targeted disclosure requirements for affected enterprises. Enterprises are not required to disclose the required information during any interim period before December 31, 2023.

7) Supplier finance arrangement(amendment to IAS 7 and IFRS 7)

In addition to adding explanations on supplier financing arrangements, this amendment also adds relevant disclosures on supplier financing arrangements.

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

#### **4. Explanations of Major Accounting Policies**

a. Declaration of compliance

The Group's consolidated financial reports for the period of January 1 to June 30, 2023 and 2022 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and "IAS 34 - Interim Financial Reporting" approved and issued by the FSC.

This consolidated financial statements adopted the same accounting policies, except for the following descriptions in 4.4 ~ 4.5., as the ones used in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2022 for details.

b. Basis of preparations

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

c. Overview of consolidation

The consolidated financial statements adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 4.3 of the consolidated financial statements for the year ended December 31, 2022 for details.

The consolidated entities are listed as follows:

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

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%)			
			2023.06.30	2022.12.31	2022.06.30	Explanation
The Company	Ivy Biotechnology Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Bai-Lin Logistics Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Great Tree Pets Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Greattree Pharmacy Hong Kong Limited	Investment business	100%	100%	-	Note 1
The Company	GREAT TREE INTERNATIONAL SDN. BHD.	Wholesale and retail business	74.26%	75%	-	Note 2
The Company	Enki Biomedical Co., Ltd.	Biotechnology R&D business	100%	-	-	Note 3
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Real estate sales and lease	60%	60%	60%	None
Ivy Biotechnology Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	Wholesale and retail business	0.99%	-	-	Note 2
Greattree Pharmacy Hong Kong Limited	Greattree Sugi Pharmacy Hong Kong Limited	Investment business	60%	60%	-	Note 1

Note 1: On November 11, 2021, the company was resolved by board of directors to expand its business in mainland China:

- 1) Greattree Pharmacy Hong Kong Limited, a wholly-owned subsidiary, was established by direct investment of the Company and registered on April 8, 2022. As of June 30, 2023, the amount of investment has not yet been remitted.
- 2) 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 June 30, 2023 the investment amount has not yet been remitted.

Note 2: 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.

Ivy Biotechnology Co., Ltd. invested USD 4 thousand in GREAT TREE INTERNATIONAL SDN. BHD. on June 27, 2023.

Note 3: On May 10, 2023, the Company passed the resolution of the Board of Directors, and the Company directly invested in the establishment of Enki Biomedical Co., Ltd. and completed the registration on May 19, 2023.

d. Retirement pension plan

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

e. Income tax

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

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

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

This consolidated financial statements adopted the same primary sources of uncertainties in major accounting judgments, estimates, and assumptions as the ones used in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022 for details.

**6. Explanations of Significant Accounting Items**

a. Cash and cash equivalents

	2023.06.30	2022.12.31	2022.06.30
Cash on hand and petty cash	\$11,303	\$10,826	\$9,736
Checks and demand deposit	1,256,799	1,471,713	1,583,159
Fixed deposit	792,275	975,870	114,550
Total	<u>\$2,060,377</u>	<u>\$2,458,409</u>	<u>\$1,707,445</u>

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

	2023.06.30	2022.12.31	2022.06.30
Measured at fair value through profit and loss:			
Convertible corporate bonds	<u>\$2,408</u>	<u>\$1,620</u>	<u>\$-</u>
Current	\$-	\$-	\$-
Non-current	<u>2,408</u>	<u>1,620</u>	<u>-</u>
Total	<u>\$2,408</u>	<u>\$1,620</u>	<u>\$-</u>

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

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

	2023.06.30	2022.12.31	2022.06.30
Investments in equity instruments measured at fair value through other comprehensive income:			
Unlisted and non-OTC company stock	\$85,315	\$50,000	\$50,000
Valuation adjustment	<u>(1,167)</u>	<u>(1,167)</u>	<u>-</u>
Total	<u>\$84,148</u>	<u>\$48,833</u>	<u>\$50,000</u>
Current	\$-	\$-	\$-
Non-current	<u>84,148</u>	<u>48,833</u>	<u>50,000</u>
Total	<u>\$84,148</u>	<u>\$48,833</u>	<u>\$50,000</u>

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

d. Financial assets measured at amortized cost

	2023.06.30	2022.12.31	2022.06.30
Restrictive fixed deposit	\$27,000	\$27,000	\$27,000
Less: allowance for loss	-	-	-
Total	<u>\$27,000</u>	<u>\$27,000</u>	<u>\$27,000</u>
Current	<u>\$24,000</u>	<u>\$24,000</u>	<u>\$24,000</u>
Non-current	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$3,000</u>

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

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

e. Notes receivable, net

	2023.06.30	2022.12.31	2022.06.30
Notes receivable - from operating activities	\$1,216	\$2,052	\$1,543
Less: allowance for loss	-	-	-
Total	<u>\$1,216</u>	<u>\$2,052</u>	<u>\$1,543</u>

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

The Group assesses information related to impairment and allowance for loss using regulations from IFRS 9. Please refer to Note 6.18, and please refer to Note 12 for information on credit risk.

f. Net accounts receivable

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

	2023.06.30	2022.12.31	2022.06.30
Total accounts receivable	\$532,985	\$429,124	\$477,530
Less: allowance for loss	(428)	(428)	(803)
Net balance	<u>\$532,557</u>	<u>\$428,696</u>	<u>\$476,727</u>



- 2) The aforementioned accounts receivable has not had conditions of endorsement/guarantee.
- 3) The Group's credit period to customers is 60-120 days. The total carrying amounts were NT\$532,985 thousand, NT\$429,124 thousand and NT\$477,530 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. Please refer to Note 6.18 for information related to allowance for impairment loss for the six months ended June 30, 2023 and 2022. Please refer to Note 12 for information on credit risk.

g. Inventory

- 1) Net inventory is as follows:

	2023.06.30	2022.12.31	2022.06.30
Work-in-progress	\$1,863	\$3,806	\$2,395
Commodity	2,839,991	2,628,292	2,407,584
Total	<u>\$2,841,854</u>	<u>\$2,632,098</u>	<u>\$2,409,979</u>

- 2) The Group recognized the cost of inventories NT\$2,949,769 thousand and NT\$2,868,862 thousand as expenses for the three months ended June 30, 2023 and 2022, respectively. The cost of inventories recognized as expenses for the six months ended June 30, 2023 and 2022 were NT\$5,715,835 thousand and NT\$5,221,400 thousand, respectively. These expenses include the following:

Item	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Allowance for inventory valuation and obsolescence loss (gains on recovery)	\$-	\$(12)	\$-	\$113
Loss (profit) on physical inventory	2,457	667	7,487	3,288
Inventory scrap loss	7,406	3,211	11,883	5,538
Total	<u>\$9,863</u>	<u>\$3,866</u>	<u>\$19,370</u>	<u>\$8,939</u>

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

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

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

h. Property, plant, and equipment

	Buildings and construction	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:						
2023.01.01	\$48,583	\$14,338	\$547,967	\$682,015	\$339,457	\$1,632,360
Acquisition	-	-	75,061	33,371	16,243	124,675
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
Effect of changes in exchange rate	-	-	(2)			(2)
2023.06.30	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$623,026</u>	<u>\$715,386</u>	<u>\$355,700</u>	<u>\$1,757,033</u>
2022.01.01	\$48,583	\$14,338	\$412,011	\$554,115	\$316,722	\$1,345,769
Acquisition	-	-	59,500	50,568	14,613	124,681
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
2022.06.30	<u>\$48,583</u>	<u>\$14,338</u>	<u>\$471,511</u>	<u>\$604,683</u>	<u>\$331,335</u>	<u>\$1,470,450</u>
Depreciation and impairment:						
2023.01.01	\$7,081	\$14,061	\$300,597	\$316,113	\$163,779	\$801,631
Depreciation	1,628	208	36,959	46,398	30,761	115,954
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
Effect of changes in exchange rate	-	-	(1)	-	-	(1)
2023.06.30	<u>\$8,709</u>	<u>\$14,269</u>	<u>\$337,555</u>	<u>\$362,511</u>	<u>\$194,540</u>	<u>\$917,584</u>
2022.01.01	\$3,826	\$13,582	\$237,053	\$234,835	\$106,641	\$595,937
Depreciation	1,628	262	30,481	39,587	29,000	100,958
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
2022.06.30	<u>\$5,454</u>	<u>\$13,844</u>	<u>\$267,534</u>	<u>\$274,422</u>	<u>\$135,641</u>	<u>\$696,895</u>
Net carrying amount:						
2023.06.30	<u>\$39,874</u>	<u>\$69</u>	<u>\$285,471</u>	<u>\$352,875</u>	<u>\$161,160</u>	<u>\$839,449</u>
2022.12.31	<u>\$41,502</u>	<u>\$277</u>	<u>\$247,370</u>	<u>\$365,902</u>	<u>\$175,678</u>	<u>\$830,729</u>
2022.06.30	<u>\$43,129</u>	<u>\$494</u>	<u>\$203,977</u>	<u>\$330,261</u>	<u>\$195,694</u>	<u>\$773,555</u>

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

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

i. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2023.01.01	\$27,225	\$14,286	\$41,511
Acquisition - separately acquired	6,883	-	6,883
Derecognized at the end of useful life	-	-	-
2023.06.30	<u>\$34,108</u>	<u>\$14,286</u>	<u>\$48,394</u>
2022.01.01	\$14,145	\$14,286	\$28,431
Acquisition - separately acquired	8,611	-	8,611
Derecognized at the end of useful life	-	-	-
2022.06.30	<u>\$22,756</u>	<u>\$14,286</u>	<u>\$37,042</u>
Amortization and impairment:			
2023.01.01	\$13,885	\$-	\$13,885
Amortization	5,475	-	5,475
Derecognized at the end of useful life	-	-	-
2023.06.30	<u>\$19,360</u>	<u>\$-</u>	<u>\$19,360</u>
2022.01.01	\$7,901	\$-	\$7,901
Amortization	2,155	-	2,155
Derecognized at the end of useful life	-	-	-
2022.06.30	<u>\$10,056</u>	<u>\$-</u>	<u>\$10,056</u>
Net carrying amount:			
2023.06.30	<u>\$14,748</u>	<u>\$14,286</u>	<u>\$29,034</u>
2022.12.31	<u>\$13,340</u>	<u>\$14,286</u>	<u>\$27,626</u>
2022.06.30	<u>\$12,700</u>	<u>\$14,286</u>	<u>\$26,986</u>

Amortization for recognition of intangible assets is as follows:

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Operating expenses	<u>\$2,965</u>	<u>\$1,188</u>	<u>\$5,475</u>	<u>\$2,155</u>

j. Other non-current assets

	2023.06.30	2022.12.31	2022.06.30
Prepaid equipment	\$34,742	\$11,708	\$5,173
Refundable deposits	248,600	201,136	186,040
Total	<u>\$283,342</u>	<u>\$212,844</u>	<u>\$191,213</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\$83,877 thousand was paid and recognized under refundable deposits. It won the bid for a total price of NT\$1,679,968 thousand on July 28, 2022.

k. Short-term loans

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

	Range of interest rates (%)	2023.06.30	2022.12.31	2022.06.30
Unsecured bank loan	0.83%~1.18%	\$-	\$-	\$370,000

- 2) As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group's unused short-term loan credits are NT\$495,830 thousand, NT\$0 thousand and NT\$112,340 thousand, respectively.

l. Other payables

	2023.06.30	2022.12.31	2022.06.30
Expenses payable	\$285,961	\$364,309	\$290,096
Equipment payable	28,512	27,638	16,980
Dividends payable	422,522	-	182,242
Net defined benefit liability - current	37	37	37
Total	\$737,032	\$391,984	\$489,355

m. Bonds payable

1) Details of bonds payable are as follows:

	2023.06.30	2022.12.31	2022.06.30
Elements of liability:			
Nominal amount of domestic convertible bond payable	\$1,219,800	\$1,220,000	\$-
Less: discount on domestic convertible bond payable	(43,066)	(52,608)	-
Sum	1,176,734	1,167,392	-
Less: portion maturing within 12 months	-	-	-
Net balance	<u>\$1,176,734</u>	<u>\$1,167,392</u>	<u>\$-</u>
Embedded derivative financial instruments - redemption rights	<u>\$2,408</u>	<u>\$1,620</u>	<u>\$-</u>
Equity element - conversion rights	<u>\$97,330</u>	<u>\$97,348</u>	<u>\$-</u>

For valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds, please refer to Note 6.21 (4).

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

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

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:  | <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> |

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:  | <p>(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.</p> <p>(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.</p> <p>(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.</p> |

- 4) As of June 30, 2023, the declared conversion amount of the Company's second batch of unsecured convertible bonds has reached NT\$200 thousand, and 654 ordinary shares have been converted. The net amount that should be written off due to the conversion (including the face value and discount of the converted corporate bonds, etc.) is higher than the par value of the stock, which is 185 thousand and listed as an addition to the capital reserve.

n. Retirement pension plan

Defined allocation plan

The Group recognized defined allocation expense of NT\$14,847 thousand and NT\$10,976 thousand for the three months ended June 30, 2023 and 2022, respectively. The Group recognized defined allocation expense of NT\$28,643 thousand and NT\$21,530 thousand for the six months ended June 30, 2023 and 2022, respectively.

Defined benefit plan

The expense of the defined benefit plan of the Group for the three months ended June 30, 2023 and 2022 were both NT\$56 thousand. The expense of the defined benefit plan of the Group for the six months ended June 30, 2023 and 2022 were both NT\$112 thousand.

o. Equity

1) Ordinary Shares

As of June 30, 2023, December 31, 2022 and June 30, 2022, the authorized share capital of the Company was all NT\$1,500,000 thousand; in addition, the issued share capital was NT\$899,185 thousand, NT\$891,352 thousand, and NT\$709,111 thousand, respectively, with 89,919 thousand shares, 89,135 thousand shares, and 70,911 thousand shares, respectively, issued at par value of NT\$10. Each share has one voting right and the right to receive dividends.

On May 31, 2022, 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.

For the six months ended June 30, 2022, the employee stock options issued by the Company exercised conversion rights of NT\$10,821 thousand, for which 200 thousand ordinary shares were converted. Upon approval from the Board of Directors on February 25, 2022, March 10, 2022 was set to be the base date of the increase. The paid-in capital after the increase was NT\$709,111 thousand with par value of NT\$10



for 70,911 thousand shares.

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\$898,591 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.

For the six months ended June 30, 2023, the second batch of unsecured convertible bonds issued by the Company exercised conversion rights of NT\$200 thousand, for which 654 ordinary shares were converted. The paid-in capital after the increase was NT\$898,598 thousand with par value of NT\$10 at 89,860 thousand shares

For the six months ended June 30, 2023, the employee stock options issued by the Company exercised subscription rights of NT\$4,202 thousand, for which 82 thousand ordinary shares were converted, and the paid-in capital after the increase was NT\$899,417 thousand with par value of NT\$10 at 89,942 thousand shares, in which 23 thousand shares are ordinary shares. Base date of increase is still pending for the Board of Directors' approval as of June 30, 2023, so the capital is recognized as a prepaid capital.

On May 31, 2023, the Company's Annual Shareholders' Meeting has approved the capital increase by reinvestment of a surplus of NT\$206,766 thousand. Upon approval of the Board of Directors on July 7, 2023, August 19 of the same year was set to be the base date of the capital increase, and, therefore, it was recorded under unappropriated stock dividends as of June 30, 2023.

## 2) Capital surplus

	2023.06.30	2022.12.31	2022.06.30
Share premium of ordinary shares	\$755,330	\$751,748	\$723,060
Employee stock options	30,268	15,589	11,403
Stock options	97,330	97,348	-
Expired stock options	3,269	3,260	3,145
Total	<u>\$886,197</u>	<u>\$867,945</u>	<u>\$737,608</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:

	<u>Appropriation of earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal capital reserve	\$70,123	\$40,499		
Special capital reserve	1,372	-		
Cash dividends for ordinary shares	455,522	182,242	\$4.70	\$2.57
Stock dividends for ordinary shares	206,766	182,241	2.30	2.57

Please see Note 6.20 for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors.

f) Non-controlling interests

	<u>2023.01.01~2023.06.30</u>	<u>2022.01.01~2022.06.30</u>
Beginning balance	\$24,408	\$20,626
Net profit attributable to non-controlling interests in the current period	144	184
Other comprehensive income (loss) attributable to non-controlling interests		

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Exchange differences translated from the financial statements of foreign operation	(148)	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2	-
Ending balance	<u>\$24,406</u>	<u>\$20,810</u>

p. Share-based payment plan

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

Employee share-based payment plan

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 4,000 units of employee stock options on October 29, 2019. Each unit of equity security can be used to subscribe for 1,000 shares of the Company's ordinary shares. The Company will issue new shares when employees exercise such an option. Equity security 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	\$283.20

- 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%

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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 six months ended June 30, 2023 and 2022 :

	2023.01.01~2023.06.30		2022.01.01~2022.06.30	
	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)	Number of outstanding stock options (unit)	Weighted-average Execution price (NT\$)
Outstanding stock options on January 1	6,593	\$211.61	3,103	\$60.52
Stock subscriptions in the current period	(92)	51.43	(200)	54.10
Stock options expired for the period	(12)	-	(63)	-
Outstanding stock options on June 30	<u>6,489</u>	<u>\$211.53</u>	<u>2,840</u>	<u>\$60.52</u>
Executable stock options on June 30	1,989		956	
Weighted-average fair value of the stock options granted in the current period		\$-		\$-

- 3) Below is the aforementioned share-based payment plan outstanding as of June 30, 2023, December 31, 2022 and June 30, 2022:

<u>2023.06.30</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$43.00	2.42 years
Granted on October 27, 2020	\$52.90	3.32 years
Granted on December 15, 2022	\$283.20	4.46years

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<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	4.96years

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

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

Recognized expenses due to share-based payment transactions (All are equity delivery share-based payment)	<u>2023.04.01~ 2023.06.30</u>	<u>2022.04.01~ 2022.06.30</u>	<u>2023.01.01~ 2023.06.30</u>	<u>2022.01.01~ 2022.06.30</u>
	<u>\$7,788</u>	<u>\$1,207</u>	<u>\$14,688</u>	<u>\$2,443</u>

q. Operating revenue

	<u>2023.04.01~ 2023.06.30</u>	<u>2022.04.01~ 2022.06.30</u>	<u>2023.01.01~ 2023.06.30</u>	<u>2022.01.01~ 2022.06.30</u>
Revenue from customer contracts				
Revenue from sale of goods	\$4,058,943	\$3,952,790	\$7,859,030	\$7,135,540
Revenue from provision of service	11,736	10,757	25,732	20,197
Others	3,694	1,635	3,694	3,271
Total	<u>\$4,074,373</u>	<u>\$3,965,182</u>	<u>\$7,888,456</u>	<u>\$7,159,008</u>

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

1) Breakdown of revenue

	<u>Single department</u>			
	<u>2023.04.01~ 2023.06.30</u>	<u>2022.04.01~ 2022.06.30</u>	<u>2023.01.01~ 2023.06.30</u>	<u>2022.01.01~ 2022.06.30</u>
Revenue from sale of goods	\$4,058,943	\$3,952,790	\$7,859,030	\$7,135,540
Revenue from provision of service	11,736	10,757	25,732	20,197
Others	3,694	1,635	3,694	3,271
Total	<u>\$4,074,373</u>	<u>\$3,965,182</u>	<u>\$7,888,456</u>	<u>\$7,159,008</u>

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

At a fixed point in time	\$4,069,185	\$3,962,006	\$7,881,745	\$7,152,656
Over a period of time	5,188	3,176	6,711	6,352
Total	<u>\$4,074,373</u>	<u>\$3,965,182</u>	<u>\$7,888,456</u>	<u>\$7,159,008</u>

2) Contract balance

a) Contract liability - current

	2023.06.30	2022.12.31	2022.06.30	2022.01.01
Sales of goods	\$685	\$716	\$645	\$627
Customer loyalty program	22,043	15,735	16,836	11,275
Total	<u>\$22,728</u>	<u>\$16,451</u>	<u>\$17,481</u>	<u>\$11,902</u>

Explanations of the changes in the balance of contract liabilities for the six month ended June 30, 2023 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(147)	\$(1,442)
Increase in advance payment for the period	116	7,750

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

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

r. Expected credit loss (gain)

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Operating expenses - expected credit loss (gain on reversal)				
Accounts receivable	<u>\$-</u>	<u>\$(588)</u>	<u>\$-</u>	<u>\$186</u>

Please refer to Note 12 for information on credit risk.

- 1) Historical records of credit impairment on the Group's receivables (including notes receivable and accounts receivable) indicate that diverse types of impairment loss is not found between different groups of customers. Therefore, allowance for loss is assessed using the same group and relevant information as of March 31, 2023, December 31, 2022 and March 31, 2022 can be found in the following:

As of June 30, 2023

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$533,984	\$179	\$38	\$534,201
Rate of loss	0.06%	50%	100%	
Expected lifetime credit loss	(300)	(90)	(38)	(428)
Carrying Amount	\$533,684	\$89	\$-	\$533,773

As of December 31, 2022

	Not overdue(Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$431,138	\$-	\$38	\$431,176
Rate of loss	0.09%	100%	100%	
Expected lifetime credit loss	(390)	-	(38)	(428)
Carrying Amount	\$430,748	\$-	\$-	\$430,748

As of June 30, 2022

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

Note : All of the Group's notes receivable is not overdue.

- 2) Information on the changes in the allowances for notes receivable and accounts receivable of the Group for the six months ended June 30, 2023 and 2022 is as:



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	Notes receivable	Accounts receivable
2023.01.01	\$-	\$428
Increase (reversal) in the period	-	-
2023.06.30	\$-	\$428
2022.01.01	\$-	\$617
Increase (reversal) in the period	-	186
2022.06.30	\$-	\$803

s. Lease

1) The Group is the lessee

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

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

a) Amount recognized in the balance sheet

i. Right-of-use assets

	Building and construction
Cost:	
2023.01.01	\$4,990,039
Acquisition	327,978
Disposal	(41,003)
Reclassification	1,944
2023.06.30	\$5,278,958
2022.01.01	\$4,144,333
Acquisition	512,047
Disposal	(38,172)
2022.06.30	\$4,618,208
Depreciation and impairment:	
2023.01.01	\$1,767,264
Depreciation	216,224
Disposal	(8,031)
Reclassification	1,944
2023.06.30	\$1,977,401

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2022.01.01	\$1,375,532
Depreciation	185,408
Disposal	(631)
2022.06.30	<u>\$1,560,309</u>
Carrying amount:	
2023.06.30	<u>\$3,301,557</u>
2022.12.31	<u>\$3,222,775</u>
2022.06.30	<u>\$3,057,899</u>

ii. Lease liabilities

	2023.06.30	2022.12.31	2022.06.30
Lease liabilities	<u>\$3,438,012</u>	<u>\$3,351,451</u>	<u>\$3,173,612</u>
Current	<u>\$422,093</u>	<u>\$401,958</u>	<u>\$376,717</u>
Non-current	<u>\$3,015,919</u>	<u>\$2,949,493</u>	<u>\$2,796,895</u>

Please refer to Note 6.21(4) Financing Costs for the Group's interest expense for lease liabilities for the three months and six months ended June 30, 2023 and 2022; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of June 30, 2023, December 31, 2022 and June 30, 2022.

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

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Short-term lease expense	\$(10,105)	\$(11,958)	\$(23,110)	\$(25,403)
Revenue from sublease of right-of-use assets	6,572	10,493	15,749	18,828

As of June 30, 2023 and 2022, the Group's committed short-term lease composition is not similar to the category of the aforementioned lease target related to short-term lease expense, and related lease commitment has amounted to NT\$0.

c) Cash outflow related to the lessee and lease activities

	2023.01.01~2023.06.30	2022.01.01~2022.06.30
Total cash flows on lease	\$249,455	\$214,316

2) The Group is the lessor

The Group 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.

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Lease revenue recognized from operating lease				
Fixed lease payment	\$6,572	\$10,493	\$15,749	\$18,828

In signing operating lease contracts, the Group has the following total amount of undiscounted lease payment as of June 30, 2023, December 31, 2022 and June 30, 2022 and for the remaining years:

	2023.06.30	2022.12.31	2022.06.30
Less than one year	\$23,751	\$25,742	\$30,062
More than 1 but no more than 2 years	22,729	20,070	21,098
More than 2 but no more than 3 years	21,115	19,751	19,747
More than 3 but no more than 4 years	14,335	17,018	19,430
More than 4 but no more than 5 years	19,430	11,383	13,618
More than 5 years	24,750	29,501	88,284
Total	\$126,110	\$123,465	\$192,239

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

Function Characteristic	2023.04.01~2023.06.30			2022.04.01~2022.06.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$277,587	\$277,587	\$-	\$255,103	\$255,103
Labor and health insurance expenses	-	31,358	31,358	-	22,605	22,605
Pension expenses	-	14,903	14,903	-	11,032	11,032
Other employee benefit expenses	-	22,462	22,462	-	17,119	17,119
Depreciation expenses	3,314	166,173	169,487	3,314	143,355	146,669
Amortization expenses	-	2,965	2,965	-	1,188	1,188

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Function Characteristic	2023.01.01~2023.06.30			2022.01.01~2022.06.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$543,558	\$543,558	\$-	\$460,827	\$460,827
Labor and health insurance expenses	-	61,132	61,132	-	45,181	45,181
Pension expenses	-	28,755	28,755	-	21,642	21,642
Other employee benefit expenses	-	44,471	44,471	-	33,255	33,255
Depreciation expenses	3,314	328,864	332,178	3,314	283,052	286,366
Amortization expenses	-	5,475	5,475	-	2,155	2,155

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

The Company estimated the pay to employees and Directors based on profitability conditions. Employee compensation and remunerations of the Directors and Supervisors recognized for the three months ended June 30, 2023 were NT\$6,514 thousand and NT\$1,238 thousand, respectively. For the six months period ended June 30, 2023, employee compensation and remunerations of the Directors/Supervisors of NT\$12,526 thousand and NT\$2,380 thousand, respectively. Employee compensation and remunerations of the Directors and Supervisors recognized for the three months ended June 30, 2022 were NT\$9,438 thousand and NT\$2,800 thousand, respectively, and for the six months period ended June 30, 2022, employee compensation and remunerations of the Directors of NT\$13,984 thousand and NT\$4,149 thousand, respectively. The aforementioned amounts were recorded under compensation expenses.

On February 23, 2023, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors 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.

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

u. Non-operating income and expenses

1) Interest income

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Financial assets measured at amortized cost	\$4,763	\$392	\$7,647	\$558

2) Other income

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Rental revenue	\$6,572	\$10,493	\$15,749	\$18,828
Other income - others	7,771	1,905	18,811	9,054
Total	\$14,343	\$12,398	\$34,560	\$27,882

3) Other gains and losses

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Gain (Loss) from foreign exchange, net	\$2,309	\$4,006	\$1,823	\$7,803
Gains on lease modifications	-	502	1,224	502
Gain (loss) on financial assets measured at fair value through profit or loss	(478)	(6)	788	(6)
Total	\$1,831	\$4,502	\$3,835	\$8,299

4) Financing costs

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Interest from bank loans	\$-	\$903	\$170	\$1,849
Interest expense from corporate bonds	4,803	-	9,534	-
Interest from lease liabilities	9,662	8,824	19,124	17,346
Total	\$14,465	\$9,727	\$28,828	\$19,195

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

v. Components of the other comprehensive income (loss)

Other comprehensive income for the three months ended June 30, 2023 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:					
Exchange differences translated from the financial statements of foreign operations	<u>\$(448)</u>	<u>\$-</u>	<u>\$(448)</u>	<u>\$-</u>	<u>\$(448)</u>

Other comprehensive income for the three months ended June 30, 2022: None.

Other comprehensive income for the six months ended June 30, 2023 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:					
Exchange differences translated from the financial statements of foreign operations	<u>\$(594)</u>	<u>\$-</u>	<u>\$(594)</u>	<u>\$-</u>	<u>\$(594)</u>

Other comprehensive income for the six months ended June 30, 2022: None.

w. Income tax

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

Income tax recognized in profit or loss

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Current tax expenses (gains):				
Current tax payable	\$47,695	\$62,943	\$90,911	\$94,991
Adjustments in respect of current income tax of prior periods	(2)	114	(2)	114
Deferred tax expenses (gains):				
Deferred tax expenses related to initial recognition of temporary difference and its reversal	(2,893)	141	(5,017)	(757)
Income tax expenses	<u>\$44,800</u>	<u>\$63,198</u>	<u>\$85,892</u>	<u>\$94,348</u>

2) Filing and review of income tax

As of June 30, 2023, the Company's income tax filing and review conditions are as follows:

	<u>Filing and review of income tax</u>
The Company	Reviewed to 2021
Subsidiary - Ivy Biotechnology Co., Ltd.	Reviewed to 2021
Subsidiary - Bai-Lin Logistics Co., Ltd.	Reviewed to 2021
Subsidiary - Da Yu Property Management Co., Ltd.	Reviewed to 2021
Subsidiary – Great Tree Pets Co., Ltd.	Reviewed to 2021

x. Earnings per share (EPS)

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

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

1) Basic EPS

	<u>2023.04.01~ 2023.06.30</u>	<u>2022.04.01~ 2022.06.30</u>	<u>2023.01.01~ 2023.06.30</u>	<u>2022.01.01~ 2022.06.30</u>
Net profit attributable to holders of the parent company's ordinary shares	<u>\$166,834</u>	<u>\$244,431</u>	<u>\$323,682</u>	<u>\$362,395</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	<u>89,918</u>	<u>89,135</u>	<u>89,904</u>	<u>89,041</u>
Basic ESP (NT\$)	<u>\$1.86</u>	<u>\$2.74</u>	<u>\$3.60</u>	<u>\$4.07</u>

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

2) Diluted EPS

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Net profit attributable to holders of the parent company's ordinary shares	\$166,834	\$244,431	\$323,682	\$362,395
Redemption gain or loss from issuance of domestic convertible bonds	478	-	(788)	-
Interest from convertible bonds	3,925	-	7,792	-
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	<u>\$171,237</u>	<u>\$244,431</u>	<u>\$330,686</u>	<u>\$362,395</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	89,918	89,135	89,904	89,041
Dilutive effect:				
Employee stock options (in 1,000 shares)	2,879	2,250	2,893	2,325
Employee bonus - shares (in 1,000 shares)	34	48	58	65
Convertible bonds (in 1,000 shares)	4,091	-	4,092	-
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	<u>96,922</u>	<u>91,433</u>	<u>96,947</u>	<u>91,431</u>
Diluted EPS (NT\$)	<u>\$1.77</u>	<u>\$2.67</u>	<u>\$3.41</u>	<u>\$3.96</u>

Assuming retroactive adjustment from dividend payout in the six month period ended June 2023, the pro forma EPS would be as follows:

1) Basic EPS

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Net profit attributable to holders of the parent company's ordinary shares	<u>\$166,834</u>	<u>\$244,431</u>	<u>\$323,682</u>	<u>\$362,395</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	<u>110,595</u>	<u>109,631</u>	<u>110,577</u>	<u>109,516</u>
Basic ESP (NT\$)	<u>\$1.51</u>	<u>\$2.23</u>	<u>\$2.93</u>	<u>\$3.31</u>



2) Diluted EPS

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Net profit attributable to holders of the parent company's ordinary shares	\$166,834	\$244,431	\$323,682	\$362,395
Redemption gain or loss from issuance of domestic convertible bonds	478	-	(788)	-
Interest from convertible bonds	3,925	-	7,792	-
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	<u>\$171,237</u>	<u>\$244,431</u>	<u>\$330,686</u>	<u>\$362,395</u>
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	110,595	109,631	110,577	109,516
Dilutive effect:				
Employee stock options (in 1,000 shares)	2,879	2,250	2,893	2,325
Employee bonus - shares (in 1,000 shares)	34	48	58	65
Convertible bonds (in 1,000 shares)	4,091	-	4,092	-
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	<u>117,599</u>	<u>111,929</u>	<u>117,620</u>	<u>111,906</u>
Diluted EPS (NT\$)	<u>\$1.46</u>	<u>\$2.18</u>	<u>\$2.81</u>	<u>\$3.24</u>

7. **Related Party Transactions**

Bonuses for the Group's key managerial officers

	2023.04.01~ 2023.06.30	2022.04.01~ 2022.06.30	2023.01.01~ 2023.06.30	2022.01.01~ 2022.06.30
Short-term employee benefits	\$4,707	\$4,828	\$9,433	\$9,490
Retirement benefits	172	172	344	344
Share-based payment	48	196	96	392
Total	<u>\$4,927</u>	<u>\$5,196</u>	<u>\$9,873</u>	<u>\$10,226</u>

## 8. Assets Pledged

The Company has pledged the following assets as collateral:

Item	Carrying Amount			Content of the secured liabilities
	2023.06.30	2022.12.31	2022.06.30	
Financial assets measured at amortized cost - current	\$24,000	\$24,000	\$24,000	Credit card guarantee
Financial assets measured at amortized cost - non-current	3,000	3,000	3,000	Purchase contract guarantee
Total	<u>\$27,000</u>	<u>\$27,000</u>	<u>\$27,000</u>	

## 9. Significant Contingent Liabilities and Unrecognized Contracts

N/A.

## 10. Contingent Disaster Loss

N/A.

## 11. Significant Post-reporting Period Matters

N/A.

## 12. Others

### a. Categories of financial instruments

#### Financial assets

	2023.06.30	2022.12.31	2022.06.30
Financial assets measured at fair value through profit or loss compulsory	\$2,408	\$1,620	\$-
Financial assets at fair value through other comprehensive income (loss)	84,148	48,833	50,000
Financial assets measured at amortized cost:			
Cash and cash equivalents	2,060,377	2,458,409	1,707,445
Financial assets measured at amortized cost	27,000	27,000	27,000
Notes receivable, net	1,216	2,052	1,543
Net accounts receivable	532,557	428,696	476,727
Other receivables	57,291	114,634	11,684
Subtotal	2,678,441	3,030,791	2,224,399
Total	\$2,764,997	\$3,081,244	\$2,274,399

#### Financial liabilities

	2023.06.30	2022.12.31	2022.06.30
Financial liabilities at amortized cost:			
Short-term loans	\$-	\$-	\$370,000
Accounts payable	2,761,127	2,692,990	2,806,118
Bonds payable (including those maturing within 12 months)	1,176,734	1,167,392	-
Lease liabilities	3,438,012	3,351,451	3,173,612
Total	\$7,375,873	\$7,211,833	\$6,349,730

### b. Objective and policy of financial risk management

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

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

c. Market risk

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

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

Exchange rate risk

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

Interest rate risk

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

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases/decreases by 0.01%, the Group's income for the six months ended June 30, 2023 and 2022 will increase/decrease by NT\$690 thousand and by NT\$853 thousand, respectively.

Equity price risk

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group does not hold equity securities measured by fair value. Therefore, equity price risk does not exist.

d. Credit risk management

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

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group has not had concentration of credit risk on individual customers, so credit risk should be moderate.

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

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

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

e. Liquidity risk management

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

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

Non-derivative financial liabilities

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years or above	Total
<u>2023.06.30</u>							
Accounts payable	\$2,761,127	\$-	\$-	\$-	\$-	\$-	\$2,761,127
Bonds payable	-	-	1,219,800	-	-	-	1,219,800
Lease liabilities	446,803	435,645	422,612	398,254	375,692	1,446,658	3,525,664
<u>2022.12.31</u>							
Accounts payable	\$2,692,990	\$-	\$-	\$-	\$-	\$-	\$2,692,990
Bonds payable	-	-	1,220,000	-	-	-	1,220,000
Lease liabilities	426,864	411,786	398,644	381,797	353,896	1,689,325	3,662,312
<u>2022.06.30</u>							
Short-term loans	\$370,442	\$-	\$-	\$-	\$-	\$-	\$370,442
Accounts payable	2,806,118	-	-	-	-	-	2,806,118
Lease liabilities	401,762	385,867	374,258	360,352	334,926	1,485,076	3,342,241

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities for the six month ended June 30, 2023:

	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2023.01.01	\$91,755	\$3,351,451	\$1,167,392	\$4,610,598
Cash flow	11,357	(226,345)	-	(214,988)
Non-cash changes				
Changes in scope of lease for the period	-	293,782	-	293,782
Interest from lease liabilities	-	19,124	9,534	28,658
Others	-	-	-	-
2023.06.30	<u>\$103,112</u>	<u>\$3,438,012</u>	<u>\$1,176,926</u>	<u>\$4,718,050</u>

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

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)  
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	Short-term loans	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
2022.01.01	\$370,000	\$56,005	\$2,871,175	\$3,297,180
Cash flow	-	19,869	(188,913)	(169,044)
Non-cash changes				
Changes in scope of lease for the period	-	-	474,004	474,004
Convertible bonds	-	-	-	-
Interest from lease liabilities	-	-	17,346	17,346
2022.06.30	\$370,000	\$75,874	\$3,173,612	\$3,619,486

g. Fair value of financial instruments

1) Valuation technique and assumptions used in measuring fair value

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

- a. The carrying amount of the cash and cash equivalents, account receivables, account payables and other current liabilities is a reasonable approximation of the fair value, mainly because the period of maturity of such instruments is short.
- b. The fair value of financial assets and financial liabilities that are traded in active market and have standard terms and conditions are determined by reference to market quotations (e.g., listed and traded stocks and bonds).
- c. For equity instruments without active market (e.g. private placement of shares in listed cabinets, shares of publicly issued companies without active markets, and shares of undisclosed companies), fair value is estimated at market value, which is the price generated by market transactions of the same or comparable equity instruments and other relevant information (e.g. lack of liquidity discount factor, similar price-to-earnings (P/E) ratio, similar price per book value or more).
- d. For debt instrument investments without active market, bank loans, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

2) Fair value of financial instruments measured at amortized cost

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

	Carrying amount		
	2023.06.30	2022.12.31	2022.06.30
Financial liabilities:			
Bonds payable	\$1,176,734	\$1,167,392	\$-
	Fair value		
	2023.06.30	2022.12.31	2022.03.31
Financial liabilities:			
Bonds payable	\$1,184,028	\$1,174,894	\$-

3) Fair value ranked information of financial instruments

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

h. Derivative financial instruments

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

Embedded derivative financial instruments

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

i. Ranking of fair value

1) Definition of fair value ranking

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



- Rank 1: Quotation (unadjusted) of the same asset or liability from an active market can be obtained on the measurement date.
- Rank 2: Input value can be directly or indirectly observed for an asset or liability, except for the quotations at rank 1.
- Rank 3: Unobservable input value for assets and liabilities.

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

2) Information on measurement of fair value ranks

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

June 30, 2023:

	Rank 1	Rank 2	Rank 3	Total
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$2,408	\$2,408
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	-	-	84,148	84,148

December 31, 2022:

	Rank 1	Rank 2	Rank 3	Total
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

June 30, 2022:

	Rank 1	Rank 2	Rank 3	Total
Financial assets measured at fair value through profit and loss				
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	\$-	\$-	\$50,000	\$50,000

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 June 30, 2022 to June 30, 2023.

Details on changes in repetitive fair value rank 3

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

	Asset	
	Measured at fair value through profit and loss	Measured at fair value through other comprehensive income
	Derivative instruments	Stock and preferred stock
2023.01.01	\$1,620	\$48,833
Acquired/issued during the period	-	35,315
Recognized in profit and loss during the period (recognized under "Other gains and losses")	788	-
recognized in other comprehensive income (presented in "unrealized valuation gain or loss on equity instrument investment measured at fair value of other comprehensive income")	-	-
2023.06.30	\$2,408	\$84,148

In the total profit or loss recognized above, the amount of profit or loss related to assets held as of June 30, 2023 is NT\$ 788 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:

June 30, 2023

	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	42.39%~42.45 %	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\$400 thousand/NT\$388 thousand

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)  
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Financial assets at fair value through other comprehensive income (loss)

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
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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.

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

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
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June 30, 2022: None.

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

June 30, 2023:

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Bonds payable (see Note 6.13 for details)	\$-	\$-	\$1,184,028	\$1,184,028

December 31, 2022:

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Bonds payable (see Note 6.13 for details)	\$-	\$-	\$1,174,894	\$1,174,894

June 30, 2022: 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 Group's capital management is to ensure that a healthy credit rating and positive capital ratio can be preserved to support the maximization of business management and shareholders' rights. The Group manages and adjusts capital structure based on economic conditions. We may achieve the objective of preserving and adjusting capital structure through adjusting dividend payment or issuance of new shares.

### **13. Notes on Disclosures**

- a. Information on Significant Transactions
  - 1) The Company's capital financing for others: None.
  - 2) The Company's endorsement/guarantee for others: None.
  - 3) Securities holders at the end of the period (excluding investment subsidiaries, affiliates 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: None.
  - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 7) Purchases from and sales to related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 2.
  - 8) Receivables from related parties amounting to at least NT\$100 million or exceeding 20% of paid-in capital: Please see Table 3.
  - 9) Derivatives transactions: Please refer to Note12.8
  - 10) Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries: Please see Table 7.
- 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 4.
  - 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 holders 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) Transactions with related parties amounting to NT\$100 million or 20% more than the paid-in capital: Please refer to Table 5.
  - h) Receivables from related parties amounting to NT\$100 million or 20% more than the paid-in capital: please refer to Table 6.
  - i) Derivatives transactions: None.
- c. Information on investments in Mainland China: None.
- d. Information on Substantial Shareholders

Name of substantial shareholder	Shares	
	Number of shares held	Shareholding ratio
Jun Wei Investment Co., Ltd.	11,857,440	13.18%
Zhen Han Investment Co., Ltd.	9,885,264	10.99%
Hao Cheng Investments Co., Ltd.	6,897,715	7.66%
Feasttogether Gruoup Co., Ltd.	5,709,254	6.34%

#### 14. Departmental Information

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

**Table 1****Great Tree Pharmacy Co., Ltd. and Subsidiaries****Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests)****As of June 30, 2023**

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.	-	Financial assets measured at fair value through other comprehensive income Less: Adjustment of Equity instrument investment measured at fair value measured through other comprehensive income	5,000,000	\$50,000  (1,167)	2.50%	\$48,833	None
	Yoda Pharmaceuticals Inc.	-	Financial assets measured at fair value through other comprehensive income Less: Adjustment of Equity instrument investment measured at fair value measured through other comprehensive income	1,250,000	15,315  -	2.31%	15,315	None
	ANNJI PHARMACEUTICAL CO., LTD.	-	Financial assets measured at fair value through other comprehensive income Less: Adjustment of Equity instrument investment measured at fair value measured through other comprehensive income	666,666	20,000  -	0.76%	20,000	None
			Total		<u>\$84,148</u>			

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.

**Table 2**

**Great Tree Pharmacy Co., Ltd. and Subsidiaries**  
**Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital**  
**January 1, 2023 to June 30, 2023**  
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	\$2,152,975	27.39%	Offset of debts and claims	No other customers for comparison	Non-related parties: 60-120 days credit	Accounts receivable \$580,363	56.91%	Note
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	\$269,986	4.56%	Credit 30 days	No other vendor for comparison	Non-related parties: 60-90 days credit	Notes payable \$128,818	25.06%	Note
									Accounts payable \$42,189	2.64%	Note

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

**Table 3**

**Great Tree Pharmacy Co., Ltd. and Subsidiaries**  
**Receivables from Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital**  
**As of June 30, 2023**  
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	<u>\$580,363</u> (Note)	<u>8.05</u>	<u>\$-</u>	-	<u>\$51,882</u>	<u>\$-</u>

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



**Table 4****Great Tree Pharmacy Co., Ltd. and Subsidiaries****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)****As of June 30, 2023**

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.	19F.,No.186, Fuxing Road,Taoyuan 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%	\$99,099	\$49,397	\$58,716 (Note 1)	Note 3
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	19F.,No.186, Fuxing Road,Taoyuan District,Taoyuan City	Wholesale and retail business, and packaging and warehousing services of foods and assorted goods, beverages, daily supplies, cleaning products and cosmetics	\$2,000	\$2,000	200,000 shares	100.00%	\$6,248	\$2,767	\$2,767	Note 3
Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	18F.,No.186, Fuxing Road,Taoyuan District,Taoyuan City	Retail business of animal medication, aquarium fish, and retail and wholesale business of pet food and supply	\$150,000	\$90,000	15,000,000 shares	100.00%	\$98,090	\$(24,076)	\$(24,076)	Note 3
Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	No.39-1, JalanAnggerik VanillaBF31/BF,Kota Kemuning,Seksyen31, 40460ShanAlam,Selangor,Malaysia	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs and other products	\$10,256	\$10,256	1,500,000 shares	74.26%	\$9,148	\$(300)	\$(225)	Note 3
Great Tree Pharmacy Co., Ltd.	Enki Biomedical Co., Ltd.	20F.,No.186, Fuxing Road,Taoyuan District,Taoyuan City	Wholesale and retail business of food and other goods, beverages, daily necessities, cleaning supplies, cosmetics, precision instruments, etc., and biotechnology R&D business	\$15,000	\$-	1,500,000 shares	100.00%	\$14,914	\$(86)	\$(86)	Note 3
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	18F.,No.186, Fuxing Road,Taoyuan 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%	\$32,034	\$547	\$328	Note 3
Ivy Biotechnology Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	No.39-1, JalanAnggerik VanillaBF31/BF,Kota Kemuning,Seksyen31, 40460ShanAlam,Selangor,Malaysia	Wholesale and retail business of foods and assorted goods, daily supplies, cleaning products, assorted drugs and other products	\$128	\$-	20,000 shares	0.99%	\$122	\$(300)	\$-	Note 3

Note 1: Includes income from investment recognized using equity method for the period of NT\$49,391 thousand, write-off for lease transaction with related party NT\$231 thousand, realized profit from upstream transactions in previous period of NT\$60,661 thousand, and unrealized profit from upstream transactions for this period of NT\$51,105 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 June 30, 2023 the investment amount has not yet been remitted..

Note 3: It has already been charged-off during writing of the Consolidated Financial Statements.

**Table 5**

**Great Tree Pharmacy Co., Ltd. and Subsidiaries**  
**Purchases from and Sales to Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital**  
**January 1, 2023 to June 30, 2023**  
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	\$269,986	99.89%	Credit 30 days	No other customers for comparison	Non-related parties 30-60 days credit	Notes receivable \$128,818	100.00%	Note
									Accounts receivable \$42,189	99.91%	Note
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$2,152,975	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable \$580,363	100.00%	Note

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Receivables from Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital

As of June 30, 2023

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	\$171,007	3.13	\$-	-	\$27,085	\$-
			(Note)					

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

Table 7

## Great Tree Pharmacy Co., Ltd. and Subsidiaries

## Business Relationships and Significant Intercompany Transactions

Unit: in NT\$1,000

Code (Note 1)	Name of counterparty	Transaction counterparty	Relationship with Traders (Note 2)	Transaction status			
				Item	Amount	Transaction conditions	Ratio to total consolidated revenue or assets (Note 3)
	<u>2023.01.01~2023.06.30</u>						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	\$269,986	Credit 30 days	3.42%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Rental revenue	2,775	-	0.04%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts receivable	36	Credit 30 days	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	13,329	-	0.13%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Notes payable	128,818	Credit 30 days	1.26%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	42,189	Credit 30 days	0.41%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other payables	118	-	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Guarantee deposits	240	-	-
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Sales	2,152,975	Offset of debts and claims	27.29%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Shipping fee	9,332	Offset of debts and claims	0.12%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	580,363	Offset of debts and claims	5.69%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Dividends receivable	4,900	-	0.05%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Other payables	124	-	-
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Sales	1,198	Credit 30 days	0.02%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Rental revenue	2,429	Credit 30 days	0.03%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts receivable	1,065	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other receivables	11,826	-	0.12%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts payable	1	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other receivable	288	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Rental expenses	971	Credit 30 days	0.01%
0	Great Tree Pharmacy Co., Ltd.	Enki Biomedical Co., Ltd.	1	Accounts receivable	4	-	-
0	Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	1	Sales	769	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	1	Accounts receivable	770	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN.BHD.	1	Other receivables	326	-	-

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

1. The parent company is 0.
2. Subsidiaries are numbered sequentially beginning with the Arabic numeral 1.

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

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

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

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