

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

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

For the Three Months ended March 31, 2024 and 2023

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

For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements 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 March 31, 2024 and 2023, and the related Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months and nine months ended March 31, 2024 and 2023, Changes in Equity and Cash Flows for the three 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 March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows from January 1 to March 31, 2024 and 2023 and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Ernst & Young
Financial Report of TWSE Listed Company as Authorized by
the Competent Authority
Auditing and Attestation No. (2014) FSC No. 1030025503
No. (2002)TCZ(VI) 144183

Cheng Ching-Piao

Certified Public Accountant (CPA)

Chang Chih-Ming

May 10, 2024

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2024, December 31, 2023, and March 31, 2023

(March 31, 2024 and March 31, 2023 were reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)

(Amounts expressed in thousands of New Taiwan Dollars)

Asset			March 31, 2024		December 31, 2023		March 31, 2023	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	6.1	\$1,973,891	18	\$2,134,734	20	\$1,805,482	18
1136	Financial assets measured at amortized cost	6.4 and 8	24,000	-	24,000	-	24,000	-
1150	Notes receivable, net	6.5	12,645	-	12,779	-	9,518	-
1170	Accounts receivable, net	6.6	733,238	7	664,924	6	482,516	5
1200	Other receivables		179,739	2	248,672	2	146,130	1
1300	Inventory	6.7	2,923,476	26	2,793,580	26	2,841,666	29
1410	Prepayments		96,952	1	86,762	1	91,572	1
1470	Other current assets		9,865	-	10,408	-	6,949	-
	Total current assets		5,953,806	54	5,975,859	55	5,407,833	54
15xx	Non-current assets							
1510	Financial assets measured at fair value through profit and loss	6.2 and 6.13	303	-	905	-	2,886	-
1517	Financial assets measured at fair value through other comprehensive income	6.3	84,671	1	84,671	1	64,148	1
1535	Financial assets measured at amortized cost	6.4 and 8	3,000	-	3,000	-	3,000	-
1550	Investments accounted for using equity method	6.8	7,217	-	7,075	-	-	-
1600	Property, plant and equipment	6.9	919,090	8	881,617	8	838,508	8
1755	Right-of-use assets	6.19	3,745,121	34	3,475,938	32	3,314,144	33
1780	Intangible assets	6.10	44,861	-	43,825	1	26,628	-
1840	Deferred tax assets	4 and 6.23	34,131	-	32,448	-	27,908	1
1900	Other non-current assets	6.11	268,590	3	267,857	3	269,866	3
	Total non-current assets		5,106,984	46	4,797,336	45	4,547,088	46
1xxx	Total assets		\$11,060,790	100	\$10,773,195	100	\$9,954,921	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 March 31, 2024, December 31, 2023, and March 31, 2023
(March 31, 2024 and March 31, 2023 were reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			March 31, 2024		December 31, 2023		March 31, 2023	
Code	Accounting item	Note	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2130	Contract liabilities	6.17	\$17,241	-	\$18,813	-	\$19,466	-
2150	Notes payable		644,362	6	712,168	7	349,329	4
2170	Accounts payable		1,581,607	14	1,655,285	15	1,536,786	15
2200	Other payables	6.12 and 6.14	699,418	7	375,639	4	726,870	7
2230	Tax liabilities for the period	4 and 6.23	129,249	1	83,269	1	183,368	2
2280	Lease liabilities	6.19	477,157	4	450,125	4	413,834	4
2300	Other current liabilities		53,265	1	30,794	-	46,947	1
	Total current liabilities		3,602,299	33	3,326,093	31	3,276,600	33
25xx	Non-current liabilities							
2530	Bonds payable	6.13	793,014	7	800,441	8	1,171,931	12
2572	Deferred tax liabilities	6.23	2,377	-	1,972	-	1,532	-
2580	Lease liabilities	6.19	3,422,334	31	3,173,572	29	3,031,917	30
2640	Net defined benefit liabilities	6.14	4,150	-	4,150	-	4,307	-
2645	Guarantee deposits		105,726	1	115,664	1	99,520	1
	Total non-current liabilities		4,327,601	39	4,095,799	38	4,309,207	43
2xxx	Total liabilities		7,929,900	72	7,421,892	69	7,585,807	76
31xx	Equity attributable to shareholders of parent company							
3100	Share capital	6.15						
3110	Ordinary share capital		1,125,379	10	1,117,037	10	898,492	9
3130	Bond conversion entitlement certificates		449	-	4,220	-	7	-
3140	Share capital collected in advance		1,274	-	4,516	-	686	-
3200	Capital surplus	6.15	1,294,003	12	1,286,228	12	877,479	9
3300	Retained earnings	6.15						
3310	Legal capital reserve		203,591	2	203,591	2	133,468	1
3320	Special capital reserve		1,372	-	1,372	-	-	-
3350	Unappropriated earnings		430,421	3	666,957	6	436,022	5
3400	Other equity		1,037	-	(2,356)	-	(1,482)	-
36xx	Non-controlling interests	6.15	73,364	1	69,738	1	24,442	-
3xxx	Total equity		3,130,890	28	3,351,303	31	2,369,114	24
	Total liabilities and equity		\$11,060,790	100	\$10,773,195	100	\$9,954,921	100

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

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2024 and 2023
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars, except for earnings per share)

Code	Item	Note	Q1 2024		Q1 2023	
			Amount	%	Amount	%
4000	Operating revenue	6. 17	\$4,206,252	100	\$3,814,083	100
5000	Operating costs		(3,044,287)	(72)	(2,766,066)	(73)
5900	Gross profit		1,161,965	28	1,048,017	27
6000	Operating expenses					
6100	Selling and marketing expenses		(830,864)	(20)	(736,645)	(19)
6200	General and administrative expenses		(128,490)	(3)	(124,104)	(3)
	Total operating expenses		(959,354)	(23)	(860,749)	(22)
6900	Operating profit		202,611	5	187,268	5
7000	Non-operating income and expenses					
7100	Interest income	6. 21	2,353	-	2,884	-
7010	Other income	6. 21	21,532	-	20,217	-
7020	Other gains and losses	6. 21	1,729	-	2,004	-
7050	Financing costs	6. 21	(14,148)	-	(14,363)	-
7060	Share of loss of joint ventures accounted for using equity method		142	-	-	-
	Total non-operating income and expenses		11,608	-	10,742	-
7900	Profit before tax		214,219	5	198,010	5
7950	Income tax expenses	4 and 6. 23	(45,131)	(1)	(41,092)	(1)
8200	Net income		169,088	4	156,918	4
8300	Other comprehensive income (loss)	4 and 6. 22				
8360	Items that may subsequently be reclassified to profit or loss:					
8361	Exchange differences translated from the financial statements of foreign operations		5,610	-	(146)	-
	Comprehensive income (loss) (net value after tax) for this period		5,610	-	(146)	-
8500	Total comprehensive income (loss)		\$174,698	4	\$156,772	4
8600	Net income attributable to:					
8610	Owners of the parent		\$168,978	4	\$156,848	4
8620	Non-controlling interests		110	-	70	-
			\$169,088	4	\$156,918	4
8700	Total comprehensive income attributable to:					
8710	Owners of the parent		\$172,371	4	\$156,738	4
8720	Non-controlling interests		2,327	-	34	-
			\$174,698	4	\$156,772	4
9750	Basic ESP (NT\$)	6. 24	\$1.50		\$1.42	
9850	Diluted EPS (NT\$)	6. 24	\$1.46		\$1.36	

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

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2024 and 2023
(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-controllin g interests	Total equity
		Share capital	Bond conversion entitlement certificates	Prepaid share capital	Capital surplus	Retained earnings			Other equity items		Total		
						Legal capital reserve	Special capital 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	3130	3140	3200	3310	3320	3350	3410	3420	31XX	36XX	3XXX
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
B5	Appropriation of earnings in 2022 Cash dividends							(422,522)			(422,522)		(422,522)
D1	Net income for the three months ended March 31, 2023							156,848			156,848	70	156,918
D3	Other comprehensive income (loss) for the three months ended March 31, 2023								(110)		(110)	(36)	(146)
D5	Total comprehensive income (loss)	-	-	-	-	-	-	156,848	(110)	-	156,738	34	156,772
I1	Convertible corporate bond conversion		7		185						192		192
N1	Share-based payment transaction	7,140		(6,553)	2,449						3,036		3,036
T1	Others - issuance of employee stock options				6,900		-				6,900		6,900
Z1	Balance as of March 31, 2023	\$898,492	\$7	\$686	\$877,479	\$133,468	\$-	\$436,022	\$(315)	\$(1,167)	\$2,344,672	\$24,442	\$2,369,114
A1	Balance as of Januanry1,2024	\$1,117,037	\$4,220	\$4,516	\$1,286,228	\$203,591	\$1,372	\$666,957	\$(1,712)	\$(644)	\$3,281,565	\$69,738	\$3,351,303
B5	Appropriation of earnings in 2023 Cash dividends							(405,514)			(405,514)		(405,514)
D1	Net income for the three months ended March 31, 2024							168,978			168,978	110	169,088
D3	Other comprehensive income (loss) for the three months ended March 31, 2024								3,393		3,393	2,217	5,610
D5	Total comprehensive income (loss)	-	-	-	-	-	-	168,978	3,393	-	172,371	2,327	174,698
I1	Convertible corporate bond conversion	4,220	(3,771)		10,283						10,732		10,732
N1	Share-based payment transaction	4,122		(3,242)	2,678						3,558		3,558
O1	Increase or decrease in non-controlling interest											1,299	1,299
T1	Others - issuance of employee stock options				(5,186)						(5,186)		(5,186)
Z1	Balance as of March 31, 2024	\$1,125,379	\$449	\$1,274	\$1,294,003	\$203,591	\$1,372	\$430,421	\$1,681	\$(644)	\$3,057,526	\$73,364	\$3,130,890

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

Chairman: Cheng Ming-Lung

General Manager: Cheng Ming-Lung

Accounting Manager: Wu Shu-Yi

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2024 and 2023
(Only reviewed and not audited in accordance with the Generally Accepted Auditing Standards)
(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	Q1 2024 Amount	Q1 2023 Amount	Code	Item	Q1 2024 Amount	Q1 2023 Amount
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Net profit before tax for the period	\$214,219	\$198,010	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	-	(15,315)
A20000	Adjustment items:			B02700	Acquisition of property, plant and equipment	(95,316)	(71,763)
A20010	Adjustments:			B02800	Disposal of property, plant and equipment	4,882	-
A20100	Depreciation expense(including right-of-use assets)	189,387	162,691	B03700	(Increase) decrease in deposits	(3,177)	(46,598)
A20200	Amortization expenses	5,201	2,510	B04500	Acquisition of intangible assets	(6,260)	(1,512)
A20400	Net loss(gain) on financial assets measured at fair value through profit or loss	602	(1,266)	B04600	Proceeds from disposal of intangible assets	25	-
A20900	Interest expenses	14,148	14,363	BBBB	Net cash inflow(outflow) from investing activities	(99,846)	(135,188)
A21200	Interest income	(2,353)	(2,884)				
A21900	Cost of share-based payments	(5,186)	6,900	CCCC	Cash flow from financing activities:		
A22300	Share of loss (profit) of joint ventures accounted for using equity method	(142)	-	C03000	Increase (decrease) in guarantee deposits received	(9,938)	7,765
A22500	Gain on disposal of property, plant and equipment	(422)	-	C04020	Repayment of principal on loan	(127,603)	(111,074)
A22800	Loss (gain) on disposal of intangible assets	(2)	-	C04800	Employees exercising share option	3,558	3,036
A29900	Other items — gain on lease modification	-	(1,224)	C05800	Changes in non-controlling interests	1,299	-
A30000	Changes in assets/liabilities related to operating activities:			CCCC	Net cash inflow(outflow) from financing activities	(132,684)	(100,273)
A31130	(Increase) decrease in notes receivable	134	(7,466)				
A31150	(Increase) decrease in accounts receivable	(68,314)	(53,820)	DDDD	Effect of changes in exchange rate on cash and cash equivalents	5,607	(146)
A31180	(Increase) decrease in other receivables	68,693	(31,496)				
A31200	(Increase) decrease in inventories	(129,896)	(209,568)	EEEE	Amount of Increase(decrease)in cash and cash equivalents for the period	(160,843)	(652,927)
A31230	(Increase) decrease in prepayments	(10,190)	(14,072)	E00100	Beginning balance of cash and cash equivalents	2,134,734	2,458,409
A31240	(Increase) decrease in other current assets	543	824	E00200	Ending balance of cash and cash equivalents	\$1,973,891	\$1,805,482
A32125	Increase (decrease) in contract liabilities	(1,572)	3,015				
A32130	Increase (decrease) in notes payables	(67,806)	(416,144)				
A32150	Increase (decrease) in accounts payables	(73,678)	1,253				
A32180	Increase (decrease) in other payables	(91,921)	(91,000)				
A32230	Increase (decrease) in other current liabilities	22,471	19,585				
A33000	Cash inflow (outflow) from operating activities	63,916	(419,789)				
A33100	Interest received	2,353	2,884				
A33300	Interest paid	-	(170)				
A33500	Income tax paid	(189)	(245)				
AAAA	Net cash inflow (inflow) from operating activities	66,080	(417,320)				

(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
For the Three Months Ended March 31, 2024 and 2023

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

1. Company Overview

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

The Company’s initial public offering (IPO) was on March 29, 2016 at the Taipei Exchange (TPEX). The Company’s registered address and the main business operating site is at 18F., No.186, Fuxing Road, Taoyuan District, Taoyuan City.

2. Dates and Procedures of Approving Financial Statements

The consolidated financial statements for the three months ended March 31, 2024 and 2023 of the Company and its subsidiaries (hereinafter referred to as "the Group") have been approved and announced by the Board of Directors on May 10, 2024.

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, 2024. 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	Lack of Exchangeability (amendment to IAS 21)	January 1, 2025
4	IFRS 18 - Presentation and Disclosure in Financial Statements	January 1, 2027

- 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) Lack of Exchangeability (amendment to IAS 21)

This amendment explains the exchangeability between currencies and the lack thereof, and how exchange rates are determined when a currency lacks exchangeability. It also introduces additional disclosure requirements regarding

currencies lacking exchangeability. These amendments apply to accounting periods beginning on or after January 1, 2025.

4) IFRS 18 - Presentation and Disclosure in Financial Statements

The main changes in the new standard are as below:

a. Improved comparability in the statement of profit or loss (income statement)

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities' performance and make it easier to compare entities.

b. Enhanced transparency of management-defined performance measures

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

c. Useful grouping of information in the financial statements

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1 2027.

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

4. Explanations of Major Accounting Policies

a. Declaration of compliance

The Group's consolidated financial reports for the period of January 1 to March 31, 2024 and 2023 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.

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, 2023. Please refer to Note 4.3 of the consolidated financial statements for the year ended December 31, 2023 for details.

The consolidated entities are listed as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%)			Explanation
			2024.03.31	2023.12.31	2023.03.31	
The Company	Ivy Biotechnology Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Bai-Lin Logistics Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Great Tree Pets Co., Ltd.	Wholesale and retail business	100%	100%	100%	None
The Company	Greentree Pharmacy Hong Kong Limited	Investment business	100%	100%	100%	None
The Company	GREAT TREE INTERNATIONAL SDN. BHD.	Wholesale and retail business	74.26%	74.26%	75%	None
The Company	Enki Biomedical Co., Ltd.	Biotechnology research and development business	100%	100%	-	Note 1
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%	0.99%	-	Note 2
Greentree	Greentree Sugi	Investment business	60%	60%	60%	None

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 (%)			Explanation
			2024.03.31	2023.12.31	2023.03.31	
Pharmacy Hong Kong Limited	Pharmacy Hong Kong Limited					
GREAT TREE INTERNATIONAL SDN. BHD.	GTSW BIOTECH SDN.BHD.	Wholesale and retail business	60%	60%	-	Note 3
GREAT TREE INTERNATIONAL SDN. BHD.	GTM HEALTHCARE SDN.BHD.	Wholesale and retail business	51%	-	-	Note 4

Note 1: On May 10, 2023, the Board of Directors resolved to establish Enki Biomedical Co., Ltd., in which the Company invested. The registration was completed on May 19, 2023.

Note 2: On June 27, 2023, Ivy Biotech Co., Ltd. invested US\$4,000 in GREAT TREE INTERNATIONAL SDN. BHD.

Note 3: The Company invested through GREAT TREE INTERNATIONAL SDN.BHD. to establish the subsidiary GTSW BIOTECH SDN.BHD., acquiring a 60% equity stake. The registration was completed on September 6, 2023.

Note 4: The Company invested through GREAT TREE INTERNATIONAL SDN.BHD. to establish the subsidiary GTM HEALTHCARE SDN.BHD., acquiring a 51% equity stake. The registration was completed on January 2, 2024.

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

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

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

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

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

e. 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.

f. Income tax

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

Income tax in the current period

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

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

Deferred income tax

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

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

- 1) Goodwill arising from initial recognition, or assets or liabilities recognized initially that do not arise from business combination transactions, are not recognized at the time of the transaction if they neither affect accounting profit nor taxable profit (loss) and if they do not result in deferred tax liabilities equal to the temporary differences at the time of the transaction.
- 2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

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

- 1) The deductible temporary differences related to the initial recognition of assets or liabilities not arising from business combination transactions are those that neither

affect accounting profit nor taxable profit (loss) at the time of the transaction and do not result in equal taxable or deductible temporary differences at the time of the transaction.

- 2) Related to deductible temporary difference from equity in investments in subsidiaries, affiliates, or joint ventures, and is highly possible to revert in the foreseeable future, and the revert may be to the extent that there will be sufficient taxable income at the time for recognition of the temporary difference.

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

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

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

When preparing the 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, 2023. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2023 for details.

6. Explanations of Significant Accounting Items

a. Cash and cash equivalents

	2024.03.31	2023.12.31	2023.03.31
Cash on hand and petty cash	\$12,212	\$11,738	\$10,955
Checks and demand deposit	1,231,154	1,393,119	849,577
Fixed deposit	730,525	729,877	944,950
Total	<u>\$1,973,891</u>	<u>\$2,134,734</u>	<u>\$1,805,482</u>

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

	2024.03.31	2023.12.31	2023.03.31
Measured at fair value through profit and loss:			
Convertible corporate bonds	<u>\$303</u>	<u>\$905</u>	<u>\$2,886</u>
Current	\$-	\$-	\$-
Non-current	<u>303</u>	<u>905</u>	<u>2,886</u>
Total	<u>\$303</u>	<u>\$905</u>	<u>\$2,886</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)

	2024.03.31	2023.12.31	2023.03.31
Investments in equity instruments measured at fair value through other comprehensive income:			
Unlisted and non-OTC company stock	\$85,315	\$85,315	\$65,315
Valuation adjustment	<u>(644)</u>	<u>(644)</u>	<u>(1,167)</u>
Total	<u>\$84,671</u>	<u>\$84,671</u>	<u>\$64,148</u>
Current	\$-	\$-	\$-
Non-current	<u>84,671</u>	<u>84,671</u>	<u>64,148</u>
Total	<u>\$84,671</u>	<u>\$84,671</u>	<u>\$64,148</u>

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

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

d. Financial assets measured at amortized cost

	2024.03.31	2023.12.31	2023.03.31
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

	2024.03.31	2023.12.31	2023.03.31
Notes receivable - from operating activities	\$12,645	\$12,779	\$9,518
Less: allowance for loss	-	-	-
Total	<u>\$12,645</u>	<u>\$12,779</u>	<u>\$9,518</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:

	2024.03.31	2023.12.31	2023.03.31
Total accounts receivable	\$733,666	\$665,352	\$482,944
Less: allowance for loss	(428)	(428)	(428)
Net balance	<u>\$733,238</u>	<u>\$664,924</u>	<u>\$482,516</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\$733,666 thousand, NT\$665,352 thousand and NT\$482,944 thousand as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. Please refer to Note 6.18 for information related to allowance for impairment loss for the three months ended March 31, 2024 and 2023. Please refer to Note 12 for information on credit risk.

g. Inventory

- 1) Net inventory is as follows:

	2024.03.31	2023.12.31	2023.03.31
Raw materials	\$3	\$3	\$-
Work-in-progress	6,888	2,146	1,222
Commodity	2,916,585	2,791,431	2,840,444
Total	<u>\$2,923,476</u>	<u>\$2,793,580</u>	<u>\$2,841,666</u>

- 2) The Group recognized cost of inventories NT\$3,044,287 thousand and NT\$2,766,066 thousand for the three months ended March 31, 2024 and 2023, respectively as expenses. These expenses included the following:

Item	Q1 2024	Q1 2023
Loss (profit) on physical inventory	\$799	\$5,030
Inventory scrap loss	5,882	4,477
Total	<u>\$6,681</u>	<u>\$9,507</u>

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

h. Investments accounted for using equity method

Investee	2024.03.31		2023.12.31		2023.03.31	
	Amount	Shareholding ratio	Amount	Shareholding ratio	Amount	Shareholding ratio
Investment in associates:						
Keychain Community Technology Co., Ltd.	<u>\$7,217</u>	40%	<u>\$7,075</u>	40%	<u>\$-</u>	-%

- 1) Investment in associates

Information on non-significant associates of the Group is as follows:

The Group participated in the cash capital increase of Keychain Community Technology Co., Ltd. in June 2023, with an investment amount of NT\$8,000

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

thousand, holding a 40% stake. The total book value were NT\$7,217 thousand, NT\$7,075 thousand as of March 31, 2024 and December 31, 2023, respectively. The summarized financial information, based on the respective ownership interests, is as follows:

	Q1 2024	Q1 2023
Net profit (loss) of the continuing operations for the period	\$142	\$-
Comprehensive income (loss) (net value after tax) for this period	-	-
Total comprehensive income (loss)	\$142	\$-

- 2) The aforementioned investments accounted for under the equity method have not been provided as collateral.

i. Property, plant, and equipment

	Buildings and construction	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:						
2024.01.01	\$48,583	\$14,338	\$716,643	\$764,730	\$378,053	\$1,922,347
Acquisition	-	-	52,509	44,575	10,862	107,946
Disposal	-	-	(2,215)	(3,008)	-	(5,223)
Transfer	-	-	-	-	-	-
Effects of changes in foreign exchange rates	-	-	2	-	-	2
2024.03.31	\$48,583	\$14,338	\$766,939	\$806,297	\$388,915	\$2,025,072
2023.01.01	\$48,583	\$14,338	\$547,967	\$682,015	\$339,457	\$1,632,360
Acquisition	-	-	27,632	26,699	10,372	64,703
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
2023.03.31	\$48,583	\$14,338	\$575,599	\$708,714	\$349,829	\$1,697,063
Depreciation and impairment:						
2024.01.01	\$10,336	\$14,338	\$379,601	\$409,684	\$226,771	\$1,040,730
Depreciation	814	-	23,637	24,869	16,696	66,016
Disposal	-	-	(358)	(405)	-	(763)
Transfer	-	-	-	-	-	-
Effects of changes in foreign exchange rates	-	-	-	(1)	-	(1)
2024.03.31	\$11,150	\$14,338	\$402,880	\$434,147	\$243,467	\$1,105,982

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

2023.01.01	\$7,081	\$14,061	\$300,597	\$316,113	\$163,779	\$801,631
Depreciation	814	104	17,811	22,991	15,204	56,924
Disposal	-	-	-	-	-	-
Transfer	-	-	-	-	-	-
2023.03.31	<u>\$7,895</u>	<u>\$14,165</u>	<u>\$318,408</u>	<u>\$339,104</u>	<u>\$178,983</u>	<u>\$858,555</u>
Net carrying amount:						
2024.03.31	<u>\$37,433</u>	<u>\$-</u>	<u>\$364,059</u>	<u>\$372,150</u>	<u>\$145,448</u>	<u>\$919,090</u>
2023.12.31	<u>\$38,247</u>	<u>\$-</u>	<u>\$337,042</u>	<u>\$355,046</u>	<u>\$151,282</u>	<u>\$881,617</u>
2023.03.31	<u>\$40,688</u>	<u>\$173</u>	<u>\$257,191</u>	<u>\$369,610</u>	<u>\$170,846</u>	<u>\$838,508</u>

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

j. Intangible assets

	Computer software	Trademarks	Total
Cost:			
2024.01.01	\$57,279	\$14,286	\$71,565
Acquisition - separately acquired	6,260	-	6,260
Derecognized at the end of useful life	(56)	-	(56)
2024.03.31	<u>\$63,483</u>	<u>\$14,286</u>	<u>\$77,769</u>
2023.01.01	\$27,225	\$14,286	\$41,511
Acquisition - separately acquired	1,512	-	1,512
Derecognized at the end of useful life	-	-	-
2023.03.31	<u>\$28,737</u>	<u>\$14,286</u>	<u>\$43,023</u>
Amortization and impairment:			
2024.01.01	\$27,740	\$-	\$27,740
Amortization	5,201	-	5,201
Derecognized at the end of useful life	(33)	-	(33)
2024.03.31	<u>\$32,908</u>	<u>\$-</u>	<u>\$32,908</u>
2023.01.01	\$13,885	\$-	\$13,885
Amortization	2,510	-	2,510
Derecognized at the end of useful life	-	-	-
2023.03.31	<u>\$16,395</u>	<u>\$-</u>	<u>\$16,395</u>

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

Net carrying amount:

2024.03.31	\$30,575	\$14,286	\$44,861
2023.12.31	\$29,539	\$14,286	\$43,825
2023.03.31	\$12,342	\$14,286	\$26,628

Amortization for recognition of intangible assets is as follows:

	Q1 2024	Q1 2023
Operating expenses	\$5,201	\$2,510

k. Other non-current assets

	2024.03.31	2023.12.31	2023.03.31
Prepaid equipment	\$15,151	\$17,595	\$22,132
Refundable deposits	253,439	250,262	247,734
Total	\$268,590	\$267,857	\$269,866

l. Other payables

	2024.03.31	2023.12.31	2023.03.31
Expenses payable	\$253,755	\$345,676	\$273,309
Equipment payable	40,112	29,926	31,002
Dividends payable	405,514	-	422,522
Net defined benefit liability - current	37	37	37
Total	\$699,418	\$375,639	\$726,870

m. Bonds payable

1) Details of bonds payable are as follows:

	2024.03.31	2023.12.31	2023.03.31
Elements of liability:			
Nominal amount of domestic convertible bond payable	\$811,500	\$822,500	\$1,219,800
Less: discount on domestic convertible bond payable	(18,486)	(22,059)	(47,869)
Sum	793,014	800,441	1,171,931
Less: portion maturing within 12 months	-	-	-
Net balance	\$793,014	\$800,441	\$1,171,931

Embedded derivative financial instruments - redemption rights	\$303	\$905	\$2,886
Equity element - conversion rights	\$61,895	\$62,850	\$97,330

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 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.

The Company adjusted the conversion prices in accordance with the provisions of the domestic regulations on the issuance and conversion of unsecured convertible bonds for the second time in 2023, due to the distribution of cash dividends on common shares. Consequently, the conversion price was adjusted from NT\$304.98 to NT\$300.92 effective from July 11, 2023.

Additionally, the Company adjusted the conversion price from NT\$300.92 to NT\$245.03 effective from August 19, 2023, due to the implementation of surplus capitalization, following the provisions outlined in the domestic regulations on the issuance and conversion of unsecured convertible bonds for the second time in 2023.

(I) The Company’s (1) redemption rights:

The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month “bond recovery notice” to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company’s letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) (The bondholder will be based on the bondholder’s register on the fifth business day prior to the date of the “bond recovery notice,” and for investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they shall be notified by way of announcement.) Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in

cash. The Company shall execute the call request and redeem the convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.

- (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 13, 2022) to forty days before the expiration of the issuance period (August 3, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month “bond recovery notice” to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company’s letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder’s register on the fifth business day prior to the date of the “bond recovery notice,” and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement. Taipei Exchange will also be notified in writing, and the convertible bonds of the bondholders shall be recovered in cash. The Company shall execute the call request and redeem the outstanding convertible corporate bonds in cash at the par value of the bonds within five business days after the base date of bond redemption.
 - (3) If the creditor does not reply to the Company’s share transfer agency before the bond recovery base date denoted on the “bond recovery notice” by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.
 - (4) If the Company executes the call request, the deadline for the Bondholders to request the conversion is the second business day after the date of termination of trading of the convertible corporate bonds on the Taipei Exchange.
- 3) On September 29, 2022, the Company issued the first domestic private placement of convertible corporate bonds with the major terms as follows:
- (A) Total issuance: NT\$22,000 thousand
- (B) Date of 2022.09.29

issuance:

- (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 ordinary 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.
The Company adjusted the conversion prices pursuant to the regulations outlined in the domestic guidelines on the issuance and conversion of privately placed convertible bonds for the first time in 2023, due to the distribution of cash dividends on ordinary shares. Consequently, effective from July 11, 2023, the conversion price was adjusted from NT\$270.5 to NT\$266.9.

Additionally, the Company adjusted the conversion price from NT\$266.9 to NT\$217.3 effective from August 19, 2023, due to the implementation of surplus capitalization, following the provisions outlined in the domestic guidelines on the issuance and conversion of privately placed convertible bonds for the first time in 2023.

- (I) The Company's (1) The conversion of corporate bonds shall be from the day redemption rights: 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 21, 2025). When the closing market price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30 consecutive business day, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as stated in Article 9.) The bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.
- (2) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (December 30, 2022) to forty days before the expiration of the issuance period (August 21, 2025). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month "bond recovery notice" to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery, and the aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will redeem the bonds in cash within the fifth business day after maturity date at nominal value.
- (3) If the Bondholders does not reply to the Company's share transfer agency before the bond recovery base date denoted on the "bond recovery notice" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), the Company shall redeem the bonds in cash within five business day after maturity date at nominal value.
- 4) As of March 31 2023, the Group has applied for conversion of unsecured convertible bonds for the second time domestically, totaling NT\$408,500 thousand, resulting in

the issuance of 1,508,000 ordinary shares. The net amount to be deducted upon conversion (including the face value of the convertible bonds and any discount) exceeding the par value of the shares amounts to NT\$415,903 thousand, which is recorded as an addition to capital surplus. Furthermore, due to the exercise of the conversion rights of the convertible bonds, the original issuance recorded in the capital surplus - convertible bond subscription rights decreased by NT\$35,453 thousand.

n. Retirement pension plan

Defined allocation plan

The Group recognized defined allocation expense of NT\$15,601 thousand and NT\$13,796 thousand for the three months ended March 31, 2024 and 2023, respectively.

Defined benefit plan

The Group recognized defined benefit plan expense of both NT\$56 thousand for the three months ended March 31, 2024 and 2023.

o. Equity

1) Ordinary Shares

As of March 31, 2024, December 31, 2023 and March 31, 2023, the authorized share capital of the Company was NT\$2,000,000 thousand, NT\$2,000,000 thousand and NT\$1,500,000 thousand; in addition, the issued share capital was NT\$1,125,379 thousand, NT\$1,117,037 thousand, and NT\$898,492 thousand, respectively, with 112,538 thousand shares, 111,704 thousand shares, and 89,849 thousand shares, respectively, issued at par value of NT\$10. Each share has one voting right and the right to receive dividends.

For the three months ended March 31, 2023, the exercised conversion rights issued by the Company of NT\$3,036 thousand, for which 59 thousand ordinary shares were converted. On May 10, 2023, the capital increase plan was decided by the Board of Directors to use May 10 of the same year as the base date for the capital increase. Therefore, as of March 31, 2023, the capital is recognized as a prepaid capital.

For the three months ended March 31, 2023, the conversion amount for the Company's second domestic unsecured convertible corporate bonds amounted to NT\$200 thousand, resulting in the issuance of 654 ordinary shares. On May 10, 2023, the capital increase plan was decided by the Board of Directors to use May 10 of the same year as the base date for the capital increase. Therefore, as of March 31, 2023, they are recorded under the item of convertible bond warrants.

On May 31, 2023, the Company approved a surplus capital increase of NT\$ 206,766 thousand by resolution of the shareholders' meeting. On July 7, 2023, the capital

increase plan was decided by the Board of Directors to use August 19 of the same year as the base date for the capital increase.

In 2023, the total exercise amount of employee stock warrants issued by the Company amounted to NT\$23,705 thousand, resulting in the issuance of 578 thousand ordinary shares. Among these, 412 thousand ordinary shares were resolved by the Board of Directors on February 27, 2024, as the capital increase base date for the same day. Additionally, 40 thousand ordinary shares are pending approval by the Board of Directors as of the capital increase base date. Therefore, as of December 31, 2023, the capital is recognized as a prepaid capital.

In 2023, the conversion amount for the Company's second domestic unsecured convertible corporate bonds amounted to NT\$397,500 thousand, resulting in the issuance of 1,464 thousand ordinary shares. Among these, 422 thousand ordinary shares were resolved by the Board of Directors on February 27, 2024, as the capital increase base date for the same day. Therefore, as of December 31, 2023, they are recorded under the item of convertible bond warrants.

For the three months ended March 31, 2024, the exercised conversion rights issued by the Company of NT\$3,558 thousand, for which 88 thousand ordinary shares were converted. On May 10, 2024, the capital increase plan was decided by the Board of Directors to use May 10 of the same year as the base date for the capital increase. Therefore, as of March 31, 2024, the capital is recognized as a prepaid capital

For the three months ended March 31, 2024, the conversion amount for the Company's second domestic unsecured convertible corporate bonds amounted to NT\$11,000 thousand, resulting in the issuance of 45 thousand ordinary shares. On May 10, 2024, the capital increase plan was decided by the Board of Directors to use May 10 of the same year as the base date for the capital increase. Therefore, as of March 31, 2024, they are recorded under the item of convertible bond warrants.

2) Capital surplus

	2024.03.31	2023.12.31	2023.03.31
Share premium of ordinary shares	\$1,188,253	\$1,174,337	\$754,400
Employee stock options	40,544	45,766	22,485
Stock options	61,895	62,850	97,330
Expired stock options	3,311	3,275	3,264
Total	<u>\$1,294,003</u>	<u>\$1,286,228</u>	<u>\$877,479</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 notto appropriate any bonus.
- ii. In consideration of a balanced andstabledividend 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

Pursuantto theCompany 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 27, 2024 and the Regular Meeting of Shareholders as of May 31, 2023, respectively, proposed and resolved the appropriation of earnings for the years 2023 and 2022, as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2023	2022	2023	2022
Legal capital reserve	\$66,605	\$70,123		
Special capital reserve	984	1,372		
Cash dividends for ordinary shares	405,514	455,522	\$3.60	\$4.70
Stock dividends for ordinary shares	191,493	206,766	1.70	2.30

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

	Q1 2024	Q1 2023
Beginning balance	\$69,738	\$24,408
Net profit attributable to non-controlling interests in the current period	110	70
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences translated from the financial statements of foreign operation	2,217	(36)
Changes in the current period	1,299	-
Ending balance	\$73,364	\$24,442

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	\$35.00
2020.10.27	2,017	\$43.10
2022.12.15	4,500	\$230.60

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

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

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

- 2) Information on the employee stock option plan issued for the three months ended March 31, 2024 and 2023:

	Q1 2024		Q1 2023	
	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	6,023	\$182.55	6,593	\$211.61
Stock subscriptions in the current period	(125)	40.25	(69)	51.72
Stock options expired for the period	(7)	-	(6)	-
Outstanding stock options on March 31	<u>5,891</u>	<u>\$185.73</u>	<u>6,518</u>	<u>\$213.43</u>
Executable stock options on March 31	1,392		2,018	
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 March 31, 2024, December 31, 2023 and March 31, 2023 :

<u>2024.03.31</u>	<u>Execution price</u>	<u>Weighted-average remaining duration (year)</u>
Granted on December 1, 2019	\$35.00	1.67 years
Granted on October 27, 2020	\$43.10	2.57 years
Granted on December 15, 2022	\$230.60	3.71 years

<u>2023.12.31</u>		
Granted on December 1, 2019	\$35.00	1.92 years
Granted on October 27, 2020	\$43.10	2.82 years
Granted on December 15, 2022	\$230.60	3.96 years

<u>2023.03.31</u>		
Granted on December 1, 2019	\$43.00	2.67 years
Granted on October 27, 2020	\$52.90	3.57 years
Granted on December 15, 2022	\$287.00	4.71 years

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

	<u>Q1 2024</u>	<u>Q1 2023</u>
Recognized expenses due to share-based payment transactions	<u>\$(5,186)</u>	<u>\$6,900</u>
(All are equity delivery share-based payment)		

q. Operating revenue

	<u>Q1 2024</u>	<u>Q1 2023</u>
Revenue from customer contracts		
Revenue from sale of goods	\$4,192,829	\$3,800,087
Revenue from provision of service	11,529	13,996
Others	1,894	-
Total	<u>\$4,206,252</u>	<u>\$3,814,083</u>

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
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Information regarding the Group's revenue from customer contracts is as follows:

1) Breakdown of revenue

	Q1 2024	Q1 2023
	Single department	Single department
Sales revenue	\$4,192,829	\$3,800,087
Service revenue	11,529	13,996
Others	1,894	-
Total	\$4,206,252	\$3,814,083
Timing of revenue recognition:		
At a fixed point in time	\$4,194,723	\$3,812,560
Over a period of time	11,529	1,523
Total	\$4,206,252	\$3,814,083

2) Contract balance

a) Contract liability – current

	2024.03.31	2023.12.31	2023.03.31	2023.01.01
Sales of goods	\$769	\$688	\$627	\$716
Customer loyalty program	16,472	18,125	18,839	15,735
Total	\$17,241	\$18,813	\$19,466	\$16,451

Explanations of the changes in the balance of contract liabilities for the three month ended March 31,2024 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(76)	\$(14,253)
Increase in advance payment for the period	157	12,600

Explanations of the changes in the balance of contract liabilities for the three month ended March 31,2023 are as follows:

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	\$(147)	\$(817)
Increase in advance payment for the period	58	3,921

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
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r. Expected credit loss (gain)

	Q1 2024	Q1 2023
Operating expenses - expected credit loss (gain on reversal)		
Accounts receivable	\$-	\$-

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, 2024, December 31, 2023 and March 31, 2023 can be found in the following:

As of March 31, 2024

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$746,246	\$-	\$65	\$746,311
Rate of loss	0.05%	100%	100%	
Expected lifetime credit loss	(363)	-	(65)	(428)
Carrying amount	\$745,883	\$-	\$-	\$745,883

As of December 31, 2023

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$678,088	\$-	\$43	\$678,131
Rate of loss	0.06%	100%	100%	
Expected lifetime credit loss	(385)	-	(43)	(428)
Carrying amount	\$677,703	\$-	\$-	\$677,703

As of March 31, 2023

	Not overdue (Note)	Days overdue		Total
		31-180 days	More than 181 days	
Total carrying amount	\$492,245	\$179	\$38	\$492,462
Rate of loss	0.06%	50%	100%	
Expected lifetime credit loss	(300)	(90)	(38)	(428)
Carrying amount	\$491,945	\$89	\$-	\$492,034

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 three months ended March 31, 2024 and 2023 is as:

	Notes receivable	Accounts receivable
2024.01.01	\$-	\$428
Increase (reversal) in the period	-	-
2024.03.31	\$-	\$428
2023.01.01	\$-	\$428
Increase in the period	-	-
2023.03.31	\$-	\$428

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:	
2024.01.01	\$5,657,261
Acquisition	392,554
Disposal	-
Reclassification	-
2024.03.31	\$6,049,815
2023.01.01	\$4,990,039
Acquisition	230,108
Disposal	(41,003)
Reclassification	1,944
2023.03.31	\$5,181,088

Notes to Consolidated Financial Statements of Great Tree Pharmacy Co., Ltd. (Continued)
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Depreciation and impairment:			
2024.01.01		\$2,181,323	
Depreciation		123,371	
Disposal		-	
Reclassification		-	
2024.03.31		<u>\$2,304,694</u>	
2023.01.01		\$1,767,264	
Depreciation		105,767	
Disposal		(8,031)	
Reclassification		1,944	
2023.03.31		<u>\$1,866,944</u>	
Carrying amount:			
2024.03.31		<u>\$3,745,121</u>	
2023.12.31		<u>\$3,475,938</u>	
2023.03.31		<u>\$3,314,144</u>	
ii. Lease liabilities			
	2024.03.31	2023.12.31	2023.03.31
Lease liabilities	<u>\$3,899,491</u>	<u>\$3,623,697</u>	<u>\$3,445,751</u>
Current	<u>\$477,157</u>	<u>\$450,125</u>	<u>\$413,834</u>
Non-current	\$3,422,334	\$3,173,572	\$3,031,917

Please refer to Note 6.21(4) Financing Costs for the Group's interest expense for lease liabilities for the three months ended March 31, 2024 and 2023; and refer to Note 12.5 Liquidity Risk Management for the analysis on the expiration of lease liabilities as of March 31, 2024, December 31, 2023 and March 31, 2023.

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

	Q1 2024	Q1 2023
Short-term lease expense	<u>\$(10,370)</u>	<u>\$(13,005)</u>
Revenue from sublease of right-of-use assets	<u>8,334</u>	<u>9,177</u>

As of March 31, 2024 and 2023, the Group's committed short-term lease composition is not similar to the category of the aforementioned lease target related to short-term lease expense, and related lease commitment has amounted to NT\$0.

c) Cash outflow related to the lessee and lease activities

	Q1 2024	Q1 2023
Total cash flows on lease	\$137,973	\$124,079

2) The Group is the lessor

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

	Q1 2024	Q1 2023
Lease revenue recognized from operating lease		
Fixed lease payment	\$8,334	\$9,177

In signing operating lease contracts, the Group has the following total amount of undiscounted lease payment as of March 31, 2024, December 31, 2023 and March 31, 2023 and for the remaining years:

	2024.03.31	2023.12.31	2023.03.31
Less than one year	\$32,475	\$28,050	\$20,908
More than 1 but no more than 2 years	31,296	27,732	18,530
More than 2 but no more than 3 years	25,432	22,581	18,402
More than 3 but no more than 4 years	20,604	14,169	15,329
More than 4 but no more than 5 years	16,703	11,129	16,716
More than 5 years	53,645	31,280	9,063
Total	\$180,155	\$134,941	\$98,948

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

Function Characteristic	Q1 2024			Q1 2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	\$-	\$283,014	\$1,1127,999	\$-	\$265,971	\$265,971
Labor and health insurance expenses	-	35,620	35,620	-	29,774	29,774
Pension expenses	-	15,657	15,657	-	13,852	13,852
Other employee benefit expenses	-	28,611	28,611	-	22,009	22,009

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Depreciation expenses	1,657	187,730	189,387	-	162,691	162,691
Amortization expenses	-	5,201	5,201	-	2,510	2,510

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 and Supervisors. But when accumulated loss is present, the Company shall first retain the profit to make up for deficits. The aforementioned employee compensation appropriated in shares or dividends shall be approved by a Board of Directors meeting attended by two-thirds or more of all Directors, and by a majority vote of all attending Directors, and reported to the Shareholders' Meeting. Please see the Market Observation Post System (MOPS) from the Taiwan Stock Exchange (TWSE) for information on employee compensation and remunerations of the Directors and Supervisors, as approved by the Board of Directors.

The Company estimated the pay to employees and Directors based on profitability conditions. Employee compensation and remunerations of the Directors recognized for the three month ended March 31, 2024 were NT\$6,524 thousand and NT\$1,305 thousand, respectively. Employee compensation and remunerations of the Directors recognized for the three month ended March 31, 2023 were NT\$6,012 thousand and NT\$1,142 thousand, respectively. The aforementioned amounts were recorded under compensation expenses.

On February 27, 2024, the Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for 2023 of NT\$25,781 thousand and NT\$5,156 thousand respectively. No material difference is found between the actual distributions and the expenses recognized on the 2023 financial statements.

The actual distribution of employee compensation and remunerations of the Directors for the year ended December 31, 2022 had no material difference from the expenses recognized in financial statements.

u. Non-operating income and expenses

1) Interest income

	Q1 2024	Q1 2023
Financial assets measured at amortized cost	\$2,353	\$2,884

2) Other income

	Q1 2024	Q1 2023
Rental revenue	\$8,334	\$9,177
Other income - others	13,198	11,040
Total	\$21,532	\$20,217

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

3) Other gains and losses

	Q1 2024	Q1 2023
Net gain from foreign exchange (loss)	\$1,919	\$(486)
Gains on lease modifications	-	1,224
Gain on disposal of property, plant and equipment	422	-
Loss (gain) on disposal of intangible assets	2	-
Gain(loss) on financial assets measured at fair value through profit or loss	(602)	1,266
Other expenditures - other	(12)	-
Total	<u>\$1,729</u>	<u>\$2,004</u>

4) Financing costs

	Q1 2024	Q1 2023
Interest from bank loans	\$-	\$170
Interest expense from corporate bonds	3,305	4,731
Interest from lease liabilities	10,843	9,462
Total	<u>\$14,148</u>	<u>\$14,363</u>

v. Components of the other comprehensive income (loss)

Other comprehensive income for the three months ended March 31, 2024 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>\$5,610</u>	<u>\$-</u>	<u>\$5,610</u>	<u>\$-</u>	<u>\$5,610</u>

Other comprehensive income for the three months ended March 31, 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>\$(146)</u>	<u>\$-</u>	<u>\$(146)</u>	<u>\$-</u>	<u>\$(146)</u>

w. Income tax

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

Income tax recognized in profit or loss

	Q1 2024	Q1 2023
Current tax expenses:		
Current tax payable	\$46,383	\$43,216
Adjustments in respect of current income tax of prior periods	26	-
Deferred tax expenses (gains):		
Deferred tax expenses related to initial recognition of temporary difference and its reversal	(1,278)	(2,124)
Income tax expenses	\$45,131	\$41,092

2) Filing and review of income tax

As of March 31, 2024, the Company's income tax filing and review conditions are as follows:

	Filing and review of income tax
The Company	Reviewed to 2022
Subsidiary - Ivy Biotechnology Co., Ltd.	Reviewed to 2022
Subsidiary - Bai-Lin Logistics Co., Ltd.	Reviewed to 2022
Subsidiary - Da Yu Property Management Co., Ltd.	Reviewed to 2022
Subsidiary - Great Tree Pets Co., Ltd.	Reviewed to 2022

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

	Q1 2024	Q1 2023
Net profit attributable to holders of ordinary shares of the parent company	\$168,978	\$156,848
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	112,642	110,453
Basic EPS (NT\$)	\$1.50	\$1.42

2) Diluted EPS

	Q1 2024	Q1 2023
Net profit attributable to holders of ordinary shares of the parent company	\$168,978	\$156,848
Redemption gain or loss from issuance of domestic convertible bonds	602	(1,266)
Interest from convertible bonds	2,727	3,867
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	\$172,307	\$159,449
Weighted-average number of ordinary shares of basic earnings per share (in 1,000 shares)	112,642	110,453
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	2,270	2,709
Employee stock options (in 1,000 shares)	75	65
Convertible bonds (in 1,000 shares)	2,767	4,092
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	117,754	117,319
Diluted EPS (NT\$)	\$1.46	\$1.36

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

7. Related Party Transactions

Bonuses for the Group's key managerial officers

	Q1 2024	Q1 2023
Short-term employee benefits	\$5,008	\$4,726
Retirement benefits	173	172
Share-based payment	5	48
Total	<u>\$5,186</u>	<u>\$4,946</u>

8. Assets Pledged

The Company has pledged the following assets as collateral:

	Carrying Amount			
Item	2024.03.31	2023.12.31	2023.03.31	Content of the secured liabilities
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

- The Company issued its second unsecured convertible corporate bonds domestically, with a conversion period from January 1 to March 31, 2024. The total conversion amount applied during this period amounted to NT\$11,000 thousand, resulting in the issuance of 45 thousand ordinary shares. Subsequently, on May 10, 2024, the Board of Directors resolved to set the record base date for the increase in capital as of the same day.
- The employee stock options warrants issued by the Company were exercised during the period from January 1 to March 31, 2024, totaling NT\$5,035 thousand in exercise amounts and resulting in the issuance of 125 thousand ordinary shares. Subsequently, on May 10, 2024, the Board of Directors resolved to set the record base date for the increase in capital as of the same day.

12. Others

a. Categories of financial instruments

Financial assets

	2024.03.31	2023.12.31	2023.03.31
Financial assets measured at fair value through profit or loss compulsory	\$303	\$905	\$2,886
Financial assets at fair value through other comprehensive income (loss)	84,671	84,671	64,148
Financial assets measured at amortized cost:			
Cash and cash equivalents	1,961,679	2,122,996	1,794,527
Financial assets measured at amortized cost	27,000	27,000	27,000
Notes receivable, net	12,645	12,779	9,518
Net accounts receivable	733,238	664,924	482,516
Other receivables	179,739	248,672	146,130
Subtotal	2,914,301	3,076,371	2,459,691
Total	<u>\$2,999,275</u>	<u>\$3,161,947</u>	<u>\$2,526,725</u>

Financial liabilities

	2024.03.31	2023.12.31	2023.03.31
Financial liabilities at amortized cost:			
Accounts payable	\$2,925,387	\$2,743,092	\$2,612,985
Bonds payable (including those maturing within 12 months)	793,014	800,441	1,171,931
Lease liabilities	3,899,491	3,623,697	3,445,751
Total	<u>\$7,617,892</u>	<u>\$7,167,230</u>	<u>\$7,230,667</u>

b. Objective and policy of financial risk management

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

The Group has set up appropriate policies, procedures, and internal control in regards to the aforementioned financial risk management based on relevant standards. Material financing activities need to be reviewed by the Board of Directors in regards to relevant standards and

internal control system. During implementations of financial management activities, the Group shall strictly abide by the regulations for financial risk management that have been set up.

c. Market risk

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

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

Exchange rate risk

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

Interest rate risk

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

Sensitivity analysis for interest rate risk mostly targets interest rate exposure items after the reporting period and includes variable rate investments. It adopts the assumption that in a given accounting period, when the interest increases or decreases by 0.1%, the Group's income for the three months ended March 31, 2024 and 2023 will increase/decrease by NT\$491 thousand and by NT\$243 thousand, respectively.

Equity price risk

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

When the equity price increases or decreases by 1%, the Group's on March 31, 2024 and 2023 the impact on equity on the day was NT\$85 thousand and NT\$64 thousand, respectively.

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 March 31, 2024, December 31, 2023 and March 31, 2023, 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>2024.03.31</u>							
Accounts payable	\$2,925,387	\$-	\$-	\$-	\$-	\$-	\$2,925,387
Bonds payable	-	811,500	-	-	-	-	811,500
Lease liabilities	508,488	495,947	476,142	452,154	430,791	1,630,978	3,994,500
<u>2023.12.31</u>							
Accounts payable	\$2,743,092	\$-	\$-	\$-	\$-	\$-	\$2,746,092
Bonds payable	-	822,500	-	-	-	-	822,500
Lease liabilities	479,099	466,046	450,174	423,451	403,922	1,480,150	3,702,842
<u>2023.03.31</u>							
Accounts payable	\$2,612,985	\$-	\$-	\$-	\$-	\$-	2,612,985
Bonds payable	-	-	1,219,800	-	-	-	1,219,800
Lease liabilities	437,234	425,384	412,251	391,262	365,688	1,442,938	3,474,757

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

f. Adjustments of liabilities from financing activities

Information on adjustments of liabilities for the three month ended March 31, 2024:

	Guarantee deposits	Lease liabilities	Bonds payable	Total liabilities from financing activities
2024.01.01	\$115,664	\$3,623,697	\$800,441	\$4,539,802
Cash flow	(9,938)	(127,603)	-	(137,541)
Non-cash changes				
Changes in scope of lease for the period	-	392,554	-	392,554
Interest expenses	-	10,843	3,305	14,148
Corporate bonds conversion	-	-	(10,732)	(10,732)
2024.03.31	<u>\$105,726</u>	<u>\$3,899,491</u>	<u>\$793,014</u>	<u>\$4,798,231</u>

Information on adjustments of liabilities for the three month ended March 31, 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	7,765	(111,074)	-	(103,309)
Non-cash changes				
Changes in scope of lease for the period	-	195,912	-	195,912
Interest expenses	-	9,462	4,731	14,193
Corporate bonds conversion	-	-	(192)	(192)
2023.03.31	<u>\$99,520</u>	<u>\$3,445,751</u>	<u>\$1,171,931</u>	<u>\$4,717,202</u>

g. Fair value of financial instruments

1) Valuation technique and assumptions used in measuring fair value

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

- a) The carrying amount of the cash and cash equivalents, account receivables, account payables and other current liabilities is a reasonable approximation of the fair value, mainly because the period of maturity of such instruments is short.
- b) The fair value of financial assets and financial liabilities that are traded in active market and have standard terms and conditions are determined by reference to market quotations (e.g., listed and traded stocks and bonds).

- c) For equity instruments without active market (e.g. private placement of shares in listed cabinets, shares of publicly issued companies without active markets, and shares of undisclosed companies), fair value is estimated at market value, which is the price generated by market transactions of the same or comparable equity instruments and other relevant information (e.g. lack of liquidity discount factor, similar price-to-earnings (P/E) ratio, similar price per book value or more).
- d) For debt instrument investments without active market, bank loans, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

2) Fair value of financial instruments measured at amortized cost

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

	Carrying amount		
	2024.03.31	2023.12.31	2023.03.31
Financial liabilities:			
Bonds payable	\$793,014	\$800,441	\$1,171,931
	Fair value		
	2024.03.31	2023.12.31	2023.03.31
Financial liabilities:			
Bonds payable	\$797,160	\$803,056	\$1,179,637

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:

March 31, 2024:

	Rank 1	Rank 2	Rank 3	Total
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$303	\$303
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	-	-	84,671	84,671

December 31, 2023:

	Rank 1	Rank 2	Rank 3	Total
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$905	\$905
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	-	-	84,671	84,671

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(Amounts expressed in thousands of New Taiwan Dollars unless otherwise specified)

March 31, 2023:

	Rank 1	Rank 2	Rank 3	Total
Financial assets measured at fair value through profit and loss				
Convertible corporate bonds	\$-	\$-	\$2,886	\$2,886
Financial assets at fair value through other comprehensive income (loss)				
Equity instruments measured at fair value through other comprehensive income	-	-	64,148	64,148

Transfer between rank 1 and rank 2 of fair value ranks

There were no transfers between rank 1 and rank 2 of fair value ranks from January 1, 2023 to March 31, 2024.

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
2024.01.01	\$905	\$84,671
Acquired/issued during the period	-	-
Recognized in profit and loss during the period (recognized under "Other gains and losses")	(602)	-
Recognized in other comprehensive income (presented in "unrealized valuation gain or loss on equity instrument investment measured at fair value of other comprehensive income")	-	-
2024.03.31	\$303	\$84,671

	Asset	
	Measured at fair value through profit and loss	Measured at fair value through other comprehensive income
	Derivative instruments	Stock
2023.01.01	\$1,620	\$48,833
Acquired/issued during the period	-	15,315
Recognized in profit and loss during	1,266	-

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

the period (recognized under “Other gains and losses”) Recognized in other comprehensive income (presented in “unrealized valuation gain or loss on equity instrument investment measured at fair value of other comprehensive income”)	-	-
2023.03.31	\$2,886	\$64,148

In the total profit or loss recognized above, the amount of profit or loss related to assets held as of March 31, 2024 and 2023 are NT\$(602) thousand and NT\$1,266 thousand, respectively.

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:

March 31, 2024

	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
<u>Financial assets:</u>					
<u>Measured at fair value through profit and loss</u>					
Embedded derivative financial instruments	Binary tree convertible bond valuation model	Volatility	25.11%	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\$0 thousand and NT\$59 thousand, respectively.
<u>Financial assets at fair value through other comprehensive income (loss)</u>					
Stock	Market Law	Lack of liquidity discount	30%	The higher the degree of lack of liquidity, the lower the fair value estimation	When the percentage of lack of liquidity increases (decreases) by 1%, the equity in the Company will decrease/increase by NT\$367 thousand

December 31, 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
<u>Financial assets:</u>					
<u>Measured at fair value through profit and loss</u>					
Embedded derivative financial instruments	Binary tree convertible bond valuation	Volatility	26.26%~26.80 %	The higher the volatility, the higher the fair	When the volatility increases (decreases) by 1%, the profit or loss on

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

	model			value estimates	the Group will increase/decrease by NT\$121 thousand and NT\$82 thousand, respectively.
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\$367 thousand

March 31, 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: Measured at fair value through profit and loss					
Embedded derivative financial instruments	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\$222 thousand and NT\$100 thousand, respectively.
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

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

March 31, 2024 :

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Bonds payable (see Note 6.13 for details)	\$-	\$-	\$797,160	\$797,160

December 31, 2023 :

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Bonds payable (see Note 6.13 for details)	\$-	\$-	\$803,056	\$803,056

March 31, 2023:

	Rank 1	Rank 2	Rank 3	Total
Disclosures of fair value liabilities only:				
Bonds payable (see Note 6.12 for details)	\$-	\$-	\$1,179,637	\$1,179,637

- 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 see Note 12.8.
 - 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:
 - 1) Capital financing for others: None.
 - 2) Endorsement/guarantee for others: None.
 - 3) Securities holders at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture interests): None.
 - 4) Cumulative buy orsell 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) Transactions with related parties amounting to NT\$100 million or 20% more than the paid-in capital: Please refer to Table 5.
 - 8) Receivables from related parties amounting to NT\$100 million or 20% more than the paid-in capital: Please refer to Table 6.
 - 9) Derivatives transactions: None.
- c. Information on investments in Mainland China: None.
- d. Information on Substantial Shareholders

Shares Name of substantial shareholder	Number of shares held	Shareholding ratio
Jun Wei Investment Co., Ltd.	14,561,939	12.92 %
Zhen Han Investment Co., Ltd.	12,139,940	10.77 %
Hao Cheng Investments Co., Ltd.	8,470,977	7.51 %
Feastogther Gruoup Co., Ltd.	6,967,237	6.18 %

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 March 31, 2024
Unit: in NT\$1,000

Name of Held Company	Types and names of securities(Note1)	Relationship with securities issuer(Note2)	Financial statement account	End of the Period				Notes(Note3)
				Number of shares/units	Carrying amount	Shareholding ratio	Fair value	
Great Tree Pharmacy Co., Ltd.	Stock							
	Top Taiwan XIV Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income (loss) Less: Adjustment of Equity instrumentinvestment measured at fair value measured through other comprehensive income	5,000,000	\$50,000 (644)	2.29%	\$49,356	None
	Yoda Pharmaceuticals Inc.	-	Financial assets at fair value through other comprehensive income (loss) Less: Adjustment of Equity instrumentinvestment 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 at fair value through other comprehensive income (loss) Less: Adjustment of Equity instrumentinvestment measured at fair value measured through other comprehensive income	666,666	20,000 -	0.72%	20,000	None
			Total		\$84,671			

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, 2024 to March 31, 2024
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	\$1,149,835	27.49%	Offset of debts and claims	No other customers for comparison	Non-related parties:60-120 days credit	Accounts receivable \$655,104	52.04%	Note
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	\$121,078	3.84%	Credit30days	No other vendor for comparison	Non-related parties:60-90 days credit	Notes payable \$139,999	18.60%	Note
									Accounts payable \$46,445	2.96%	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
March 31, 2024
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	\$655,104	7.37	\$-	-	\$75,693	\$-
			(Note)					

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)
March 31, 2024
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	5,900,000shares	100.00%	\$179,365	\$24,741	\$25,715 (Note1)	Note 2
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	200,000shares	100.00%	\$10,228	\$1,699	\$1,699	Note 2
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	\$210,000	\$210,000	21,000,000shares	100.00%	\$125,543	\$(8,881)	\$(8,881)	Note 2
Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN. BHD.	No. 39-1, Jalan Anggerik Vanilla BF 31/BF, Kota Kemuning, Seksyen 31, 40460 Shan Alam, Selangor, Malaysia	Wholesale and retail operations encompassing health foods, cosmetics, medical equipment, and pet-related products	\$10,256	\$10,256	1,500,000shares	74.26%	\$9,411	\$52	\$39	Note 2
Great Tree Pharmacy Co., Ltd.	Enki Biomedical Co., Ltd.	20F., No.186, Fuxing Road, Taoyuan District, Taoyuan City	Wholesale and retail business of foods and assorted goods, beverages, daily supplies, cleaning products and cosmetics, and precision instruments, etc, provides services in the field of biotechnology	\$15,000	\$15,000	1,500,000shares	100.00%	\$10,039	\$(1,969)	\$(1,969)	Note 2
Great Tree Pharmacy Co., Ltd.	Keychain Community Technology Co., Ltd.	9F., No. 219, Section 3, Nanjing East Road, Zhongshan District, Taipei City	Wholesale and retail operations involving information software, electronic materials, computers, and office equipment. Additionally, it provides services in information software and data processing	\$8,000	\$8,000	323,981 shares	40.00%	\$7,217	\$758	\$142	
Great Tree Pharmacy Co., Ltd.	Greattree Pharmacy Hong Kong Limited	RMS 2006-8, 20/F Two Chinachem Exchange Square 338 King’s RD North Point HK	Investment business	\$74,630	\$74,630	2,400,000shares	100.00%	\$76,800	\$-	\$-	Note 2
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	\$30,000	\$30,000	3,000,000shares	60.00%	\$26,823	\$454	\$273	Note 2
Ivy Biotechnology Co., Ltd.	GREAT TREE INTERNATIONAL SDN. BHD.	No. 39-1, Jalan Anggerik Vanilla BF 31/BF, Kota Kemuning, Seksyen 31, 40460 Shan Alam, Selangor, Malaysia	Wholesale and retail operations encompassing health foods, cosmetics, medical equipment, and pet-related products	\$128	\$128	20,000shares	0.99%	\$125	\$52	\$1	Note 2
Greattree Pharmacy Hong Kong Limited	Greattree Sugi Pharmacy Hong Kong Limited	RM 601 ALBION PLAZA 2-6 GRANVILLE RD TST KL	Investment business	\$76,800	\$-	2,400,000 shares	60.00%	\$76,800	\$-	\$-	Note 2
GREAT TREE INTERNATIONAL SDN. BHD.	GTSW BIOTECH SDN. BHD.	NO. 5-2, Jalan Puteri 2/6 Bandar 47100 Puchong Selangor Malaysia	Wholesale and retail operations encompassing health foods, cosmetics, medical equipment, and pet-related products	\$1,949	\$1	300,000shares	60.00%	\$1,766	\$(131)	\$(79)	Note 2
GREAT TREE INTERNATIONAL SDN. BHD.	GTM HEALTHCARE SDN.BHD.	NO. 5-2, Jalan Puteri 2/6 Bandar Puteri Puchong 47100 Puchong Selangor Malaysia	Wholesale and retail operations encompassing health foods, cosmetics, medical equipment, and pet-related products	\$-	\$-	51shares	51.00%	\$(32)	\$(65)	\$(33)	Note 2

Note 1: Includes income from investment recognized using equity method for the period of NT\$24,741 thousand, write-off for lease transaction with related party NT\$(2) thousand, realized profit from upstream transactions in previous period of NT\$41,463 thousand, and unrealized profit from upstream transactions for this period of NT\$(40,487) thousand.

Note 2: 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, 2024 to March 31, 2024
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	\$121,078	99.88%	Credit30days	No other customers for comparison	Non-related parties 30-60days credit	Notes receivable \$139,999	100.00%	Note
									Accounts receivable \$46,445	99.85%	Note
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	\$1,149,835	100.00%	Offset of debts and claims	No other supplier available for comparison	No other supplier available for comparison	Accounts payable \$655,104	100.00%	Note

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

Table 6

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Receivables from Related Parties Amounting to at least NT\$100 Million or Exceeding 20% of Paid-in Capital
March 31, 2024
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	\$186,444	2.63	\$-	-	\$42,286	\$-
			(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)
	2024.01.01~2024.03.31						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Purchases	\$121,078	Credit30days	2.88%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Rental revenue	1,250	-	0.03%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other receivables	10,266	-	0.09%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Notes payable	139,999	Credit30days	1.27%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Accounts payable	46,445	Credit30days	0.42%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Other payables	118	-	-
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	1	Guarantee deposits	240	-	-
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Sales	1,149,835	Offset of debts and claims	27.34%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Shipping fee	5,315	Offset of debts and claims	0.13%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	655,104	Offset of debts and claims	5.92%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Dividends			
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	receivable	4,900	-	0.04%
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	700	Credit30days	0.02%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Rental revenue	1,657	Credit30days	0.04%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts receivable	1,050	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Other receivables	5,439	-	0.19%
0	Great Tree Pharmacy Co., Ltd.	Great Tree Pets Co., Ltd.	1	Accounts payable	2	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Other receivables	340	-	-
0	Great Tree Pharmacy Co., Ltd.	Da Yu Property Management Co., Ltd.	1	Rental expenses	500	Credit30days	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	840	-	-
0	Great Tree Pharmacy Co., Ltd.	GREAT TREE INTERNATIONAL SDN. BHD.	1	Other receivables	560	-	0.01%
1	GREAT TREE INTERNATIONAL SDN. BHD.	GTM HEALTHCARE SDN.BHD.	1	Other receivables	64	-	-

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.