TWSE Stock Code: 6469

Great Tree Pharmacy Co., Ltd.

2018

Annual Report

The Annual Report can be viewed on the Market Observation Post System (MOPS) at http://newmops.twse.com.tw/

Required website for information announcement from the Securities & Futures Institute: same as above

Website for information related to the Annual Report: same as above

Printed on April 30, 2019

I. Spokesperson: Cheng Ming Lung Title: General Manager

Telephone: (03)455-6469

E-mail: stock@greattree.com.tw

Deputy spokesperson: Wu Shu Yi Title: Assistant Manager in Finance Department

Telephone: (03)455-6469

E-mail: stock@greattree.com.tw

II. Address and telephone of the Company and plant:

Name	Address	Tel
Head office	No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City.	(03)455-6469
Branch office	No. 1, Gaobian Road, Zhongli District, Taoyuan City.	(03)455-4585

III. Stock transfer handling agency:

Name: Share Agency Department, Taishin International Bank

Address: B1, No. 96, Section 1, Jianguo North Road, Taipei City.

Telephone: (02)2504-8125

Website: www.taishinbank.com.tw/

IV. Certified public accountants (CPAs) who audited the financial reports of the most recent year:

Names: Lo Hsiao-Chin and Cheng Ching-Piao

Name of accounting firm: Ernst & Young (EY)

Address: 9F, No. 333, Section 1, Jilong Road, Taipei City.

Website: www.ey.com.tw

Telephone: (02)2757-8888

V. Name of securities market for trading of overseas marketable securities and ways to inquire about information on said overseas marketable securities: None.

VI. Company website: www.greattree.com.tw

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Chapter 1 Letter to Shareholders

Dear Esteemed Shareholders,

First of all, thank you all for taking time off to be here to attend our Annual Shareholders' Meeting. On behalf of the Company, I would like to express our deep appreciation for your support and encouragement. The following summarize our 2018 business performance and future developmental plans:

I. 2018 Business Report

(I) Implementation of 2018 Business Plan:

The Company's net consolidated operating revenue in 2018 was NT$4,900,720,000, a 35.24% increase over that of 2017. Consolidated profit before tax was NT$134,860,000, an 8.90% growth over that of 2017. Increases in both revenue and profit before tax are mostly owing to revenues from the Company's 27 new stores opened in 2018 and through effective cost control, enhancing operational efficiency. These efforts have paid off in the form of increases in both 2018 consolidated revenue and profit before tax.

2018 marked the third year in the Company's 5-year plan after listing on the Taipei Exchange. The operating revenue has maintained the 30% growth rate for the past three years, and under effective cost control, have maintained profitable growth. Based on our experience of launching stores in 2018, we hope to open 200 by 2020.

After opening more than 100 stores by 2018, we are reaching economies of scale, and the new stores opened are gradually achieving profitability. We believe that we can achieve higher profitability starting 2019 because of three favorable factors: expansion of the scale of our business, cost control, and store operations becoming sound and stable. Hence, the Company will bring in more services and diversified products and try our best to satisfy the customer needs, creating even more value for shareholders, and provide an even better work environment for our employees.

(II) Budget execution process: The Company did not make a forecast of 2018 financial estimates; hence their disclosure is not warranted.

(III) Analysis of financial revenue, expenditure, and profitability

Unit: thousand NTD

Item	2018
Cash flow from operations	131,331
Cash flow from investments	(156,521)
Cash flow from financing activities	384,179
Return on assets (%)	5.66
Return on equity (%)	11.26
Ratio of net profit before tax to paid-in capital (%)	36.90
Net profit margin	2.16
Earnings per share (NT$)	3.01

Note: This financial information is consolidated and conforms to IFRS reporting standards.

II. Overview of 2019 Business Plan

(1) Continue to optimize successful store opening model and expand the scale of business.

(2) Continue to plan for strategic collaboration. The company intends to have a market strategy cooperation with the Healthcare Franchise, a subsidiary of the Maywufa Healthcare Group, and develop into the second brand type of the company's pharmacy chain system. through this cooperation opportunity, continuing expand the channel scale and take advantages of joint purchasing, create strategic cooperation competitiveness.

(3) Provide consumers with free professional online health care service through the pioneering Personal Cloud-based Health Management System. Increase the use of cloud-based health information platform, enable it reach maturity in 5 years and become the best virtual channel for health care services in Taiwan.

(4) Launch commercial activities on the cloud-based health information platform. Integrate physical and virtual customer service and sales system to overcome the legal ban on drug sales online to establish a direct, fast, and comprehensive bilateral health consultation channel for customers.

(5) Launch health online network, increase in-store customer service for members, and build a comprehensive O2O (online to offline) model.

III. Future development strategies

The Company will adopt an active and sound growth strategy by recruiting professional talent on the one hand, and on the other actively develop new products and new markets, enabling the Company become the best in the industry.

IV. Impact of external competitive environment, legal environment, and overall operating environment

The Company is in the retail/wholesale channel of pharmacy management. Since we offer a variety of products, we also face competition from other pharmacies and drugstores. Under an increasingly competitive environment in the future, the Company will provide professional and well-rounded educational training for our employees to build professional brand value for "Great Tree Pharmacy Co., Ltd." In addition, we will develop service processes with high entry barriers through our innovative senior core management team, and differentiate ourselves from industry competitors by rapidly reproducing our successful experience in business development.

Finally, I would like to once again convey my heartfelt appreciation to all our shareholders for their support and encouragement, and thanks to our dedicated staff for their service over the years. You have our highest regards! I would like to wish everyone health and prosperity

Chairman: Liu Yu Teng

General Manager: Cheng Ming Lung

Accounting Manager: Wu Shu Yi

Chapter 2 Company Profile

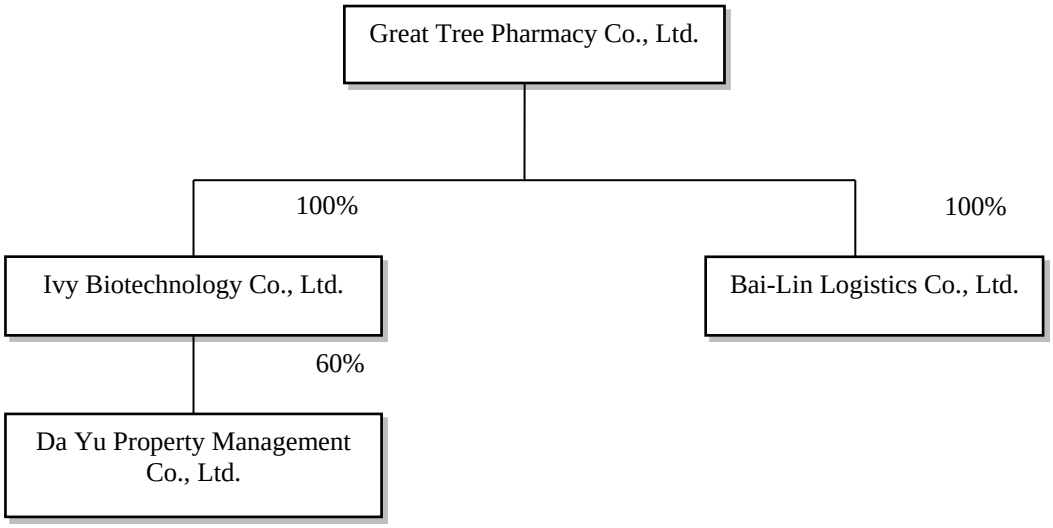
I. Introduction to the Company and the Group

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 products, goods for mothers and babies, 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.

(I) Date of Incorporation: May 15, 2001

(II) Structure of the Group

1. Organizational Chart of Affiliates (As of April 30, 2019)



2. Relations, percentage of shareholding, number of shares, and actual investments among the affiliates:

As of March 31, 2019; Unit: thousand NTD; Shares

Name of affiliate	Relationship with the Company	Main business	Directly or indirectly held by the Company			Affiliate that holds shares in the Company		
			Ratio (%)	Number of shares	Amount	Ratio (%)	Number of shares	Amount
Ivy Biotechnology Co., Ltd.	Subsidiary accounted for using equity method	Wholesale and retail business	100.00	5,900,000	59,000	—	—	—
Bai-Lin Logistics Co., Ltd. (Note 1)	Subsidiary accounted for using equity method	Wholesale and retail business	100.00	200,000	2,000	—	—	—
Da Yu Property Management Co., Ltd. (Note 2)	Subsidiary of subsidiary (second-tier subsidiary) accounted for using equity method	Buy/sell transactions and lease of real property	60.00	360,000	36,000	—	—	—

Note 1: The Group invested NT$2 million to establish Bai-Lin Logistics Co., Ltd. on November 30, 2016.

Note 2: The Group invested NT$3 million toward Da Yu Property Management Co., Ltd. on April 28, 2017.

II. Company History

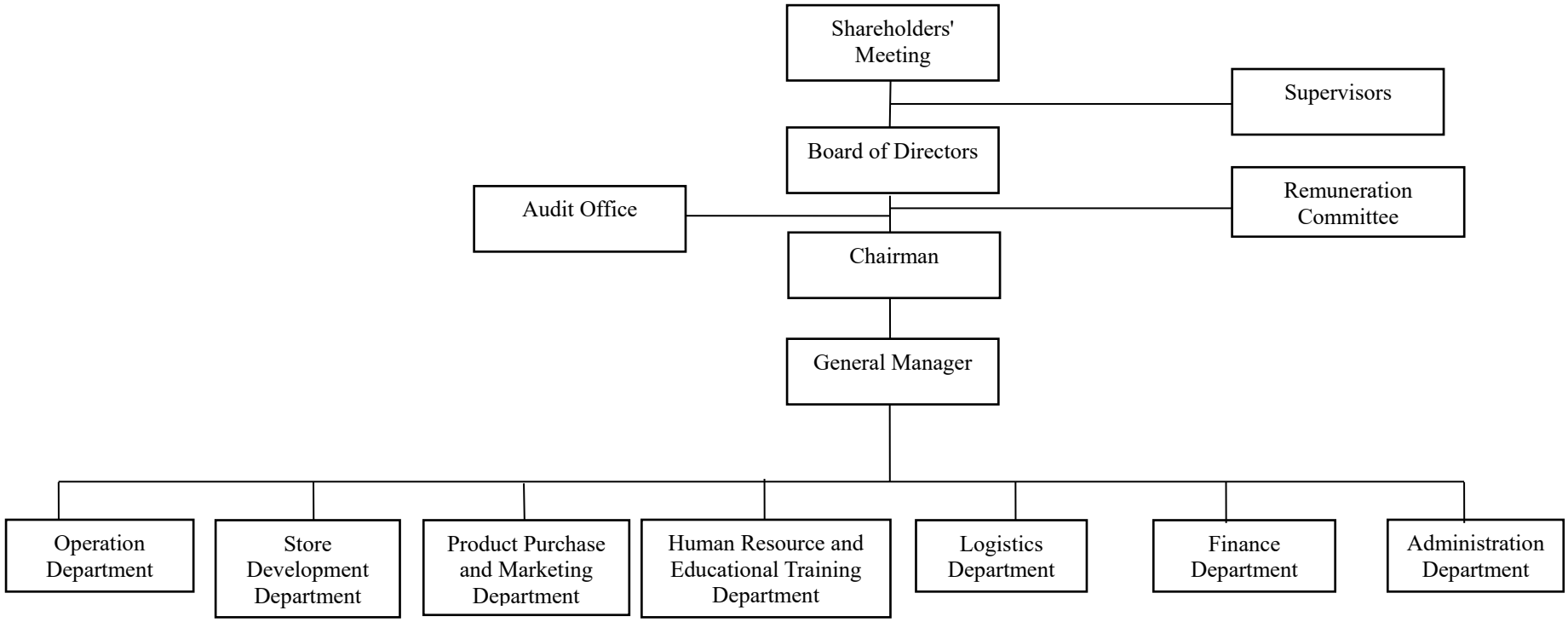
Year	Milestones
2001	Tian-Chin Pharmaceuticals Co. Ltd. was established with the paid-in capital of NT$3 million. The Chairman was Mr. Liu Yu Teng, and the Company used "Great Tree Pharmacy" as the brand of its drugstore retail channels.
2002	ERP web online system was successfully introduced, allowing all information management throughout the Company to be more humanistic, effective, stable, secure, and instantaneous.
2005	Established presence in "E-Mall," the first integrated institution of medical community with shops throughout Taiwan and becoming a hybrid community drugstore that blends health care, professionalism, with business opportunities.
2007	Assisted Tajen University to establish a drugstore for internship on its campus. Reached more than 10 franchised drugstores in the Taoyuan area.
2009	Managed the health business division of Carrefour, the largest retailer in Taiwan, and opened drugstores under the joint trademark of Great Tree Pharmacy and Carrefour, pushing the Great Tree experience nationwide.
2010	Introduced corporate identity system (CIS) to all stores and updated shelf displays.
2011	Opened the first franchised drugstore in New Taipei City - Tucheng YuMin Store.
2012	Reached more than 20 franchised drugstores nationwide. Established the "Nanping Medical Community", providing the community with "primary care deductibles", and hospital grade "multiple division convenient healthcare."
2013	Reached more than 25 franchised drugstores nationwide. Opened the first franchised drugstore in Hsinchu City - Hsinchu Xida Store. Opened the first franchised drugstore in Taipei City - Taipei Longjiang Store
2014	Reached more than 35 franchised drugstores nationwide. Opened franchised drugstores in Kaohsiung City - Fengshan Youth Store and Qianzhen Ruilong Store. Opened franchised drugstores in Taichung City - Dali Chunghsin Store, Hangkou Store, and Meicun Store. Stationed into the "Taoyuan International Airport Terminal 1 Shopping Mall," protecting the health of the travelers at the nation's door with professional and warm services. Changed the company name to Great Tree Pharmacy Co., Ltd. Registered in emerging stocks on December 29, 2014.
2015	Reached more than 45 drugstores including franchised and the airport direct-sale store. Cooperated with FamilyMart to establish compound drugstore.
2016	Reached more than 68 drugstores including franchised and the airport direct-sale store. Officially listed in the stock market on March 30th, 2016.
2017	Reached more than 86 drugstores including franchised and the airport direct-sale store. (76 franchised and direct-sale drugstores, 9

Year	Milestones
	FamilyMart x Great Tree compound drugstores, 1 drugstore in Carrefour) Restarted the cooperation with Carrefour, the largest retailer in Taiwan, and established the healthcare zone.
2018	Reached more than 111 drugstores including franchised and the airport direct-sale store. (106 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 1 drugstore in Carrefour)
April, 2019	Reached more than 118 drugstores including franchised and the airport direct-sale store. (112 franchised and direct-sale drugstores, 4 FamilyMart x Great Tree compound drugstores, 2 drugstores in Carrefour)

Chapter 3 Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Responsibilities and functions of major departments

Department	Responsibilities and functions
Audit Office	✓ Establishment, amendments, and reviews of the internal audit system. ✓ Discussion, approval, and amendments of the internal control system. ✓ Discussion, plan, and review of systems within subsidiaries.
Operation Department	✓ Establish strategies and operational management over store developments.
Store Development Department	✓ Develop new stores. ✓ Coordinate the measurement inspections and designs of various engineering projects. ✓ Supervise the construction quality and quality management of various engineering projects. ✓ Maintenance and management of engineering equipment. ✓ Revisions, establishments, promotions and implementation, and follow-up of various environmental and occupational safety and health regulations. ✓ Coordinate the implementation of health and safety inspections at all stores and head office.
Product Purchase and Marketing Department	✓ Development of product purchase and planning and carrying out of brand strategies.
Human Resource and Educational Training Department	✓ Planning and carrying out human resources tasks. ✓ Personnel administration works ✓ Personnel educational training.
Logistics Department	✓ Coordinate various tasks and operations related to logistics and warehousing.
Finance Department	✓ In charge of matters related to corporate finance. ✓ Responsible of coordinating the Company's accounting tasks.
Administration Department	✓ Information system management. ✓ Administration works. ✓ Management and maintenance over fixed assets and other assets.

II. Information on Directors, Supervisors, General Manager, Vice Presidents, Assistant Managers, and Managers of Departments and Branches

(I) Information on Directors and Supervisors as of Book Closure Date on April 28, 2019; Unit: Shares

Title	Name	Nationality	Gender	Date first elected	Date of appointment	Term	Shares held when elected		Current shareholding		Shares held by spouse and minor children		Shares held in others' names		Education and work experience	Titles currently held at the Company and other companies	Other Supervisor or Director roles held by spouse or second-degree relations		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman	Jun Wei Investment Co., Ltd	Republic of China	—	2014.05.30	2017.06.23	3 years	4,430,580	16.70	5,559,057	15.21	—	—	—	—	—	—	—	—	—
	Representative: Liu Yu Teng	Republic of China	Male	2014.05.30	2017.06.23	3 years	107,100	0.40	134,378	0.37	—	—	—	—	Bachelor's Degree, School of Pharmacy, China Medical University Qualified for Senior Pharmacist Examination for Professional and Technical Personnel Chairman and President of Jun Wei Investment Co., Ltd	Chairman of Great Tree Pharmacy Co., Ltd. Chairman of Ivy Biotechnology Co., Ltd. Chairman and President of Hao Cheng Investments Co., Ltd.	Director Supervisor	Cheng Ming Lung Liu Shu Liang	Sibling Sibling
Director	Zhen Han Investment Co., Ltd	Republic of China	—	2014.05.30	2017.06.23	3 years	3,638,250	13.72	4,564,918	12.49	—	—	—	—	—	—	—	—	—
	Representative: Cheng Ming Lung	Republic of China	Male	2014.05.30	2017.06.23	3 years	347,655	1.31	965,717	2.64	—	—	—	—	Bachelor's Degree, Shih Chien University Manager of Sinyi Realty Inc. Chairman and President of Zhen Han Investment Co., Ltd.	General Manager of Great Tree Pharmacy Co., Ltd. President of Ivy Biotechnology Co., Ltd.	Chairman Supervisor	Liu Yu Teng Liu Shu Liang	Sibling Sibling
Director	Yuang Ding Investment Co, Ltd	Republic of China	—	2014.05.30	2014.06.23	3 years	581,700	2.19	729,860	2.00	—	—	—	—	—	Director of GIO Optoelectronics Corp. Supervisor of Smart Performer Co., Ltd. Director of Eminent Electronics Technology, Co, Ltd. Director of PET Pharm Biotech Co., Ltd. Supervisor of Luxul Technology Inc. Director of Taiwan Silicones	—	—	—

Title	Name	Nationality	Gender	Date first elected	Date of appointment	Term	Shares held when elected		Current shareholding		Shares held by spouse and minor children		Shares held in others' names		Education and work experience	Titles currently held at the Company and other companies	Other Supervisor or Director roles held by spouse or second-degree relations		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
																Technology Co., Ltd. Director of AMICCOM Electronics Corporation., Ltd. Director of BandRich Inc. Director of BRIM Biotechnology, Inc. Director of Bio Preventive Medicine Corp.			
	Representative: Shen Li Ping	Republic of China	Male	2014.05.30	2017.06.23	3 years	31,500	0.12	42,438	0.12	—	—	—	—	Master of Business Administration, National Chung Cheng University Bachelor's Degree, Department of Finance, National Central University Auditor of KPMG Professional Assistant Manager, Mega Securities Co., Ltd. Sales Manager, Taishin Securities Co., Ltd.	Representative of Corporate Director, Great Tree Pharmacy Co., Ltd. Representative of Corporate Director, Art Emperor Technology & Culture Co., Ltd Manager of Top Taiwan Venture Capital Co., Ltd.	—	—	—
Supervisor	Hsieh Po Chuan	Republic of China	Male	2014.05.30	2017.06.23	3 years	23,100	0.09	31,120	0.09	—	—	—	—	Ph.D. College of Science, National Sun Yat-sen University Dean, School of Pharmacy, Tajen University	—	—	—	—
Supervisor	Liu Shu Liang	Republic of China	Female	2014.05.30	2017.06.23	3 years	871,500	3.29	1,093,472	2.99	40,330	0.11	—	—	Yu Da University of Science and Technology Accountant, Cathay Life Insurance Co., Ltd.	—	Chairman Director	Liu Yu Teng Cheng Ming Lung	Sibling Sibling
Supervisors	Chen Hung Yi	Republic of China	Male	2017.09.26	2017.06.23	3 years	—	—	—	—	—	—	—	—	Ph.D. in Chemistry, College of Pharmacy, China Medical University Associate Professor, College of Pharmacy, China Medical University	—	—	—	—
Independent	Liu Tian Dao	Republic of	Male	2014.09.26	2017.06.23	3 years	—	—	—	—	—	—	—	—	Bachelor's Degree,	—	—	—	—

Title	Name	Nationality	Gender	Date first elected	Date of appointment	Term	Shares held when elected		Current shareholding		Shares held by spouse and minor children		Shares held in others' names		Education and work experience	Titles currently held at the Company and other companies	Other Supervisor or Director roles held by spouse or second-degree relations		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director		China													Business Administration, National Taiwan University Certified Public Accountant, Zhi-Dao Accounting Firm				
Independent Director	Wei Tsung Te	Republic of China	Male	2017.06.23	2017.06.23	3 years	—	—	—	—	12,527	0.03	—	—	Ph.D. in Biochemistry and Molecular Biology, National Taiwan University Professor, Biotechnology Major, Department of Biological Science and Technology, China Medical University	—	—	—	—

(II) Substantial Shareholders of Corporate Shareholders

As of April 28, 2019

Name of corporate shareholder	Substantial shareholders of the corporate shareholders	Shareholding ratio %)
Jun Wei Investment Co., Ltd	Liu Yu Teng	83.58%
	Liu Chun Hao	8.21%
	Liu Wei Cheng	8.21%
Zhen Han Investment Co., Ltd	Cheng Ming Lung	71.56%
	Cheng Yung Chen	14.22%
	Chan Yung Han	14.22%
Yuang Ding Investment Co, Ltd	Hontai Life Insurance Co., Ltd.	20.83%
	Taiwan Life Insurance Co., Ltd.	19.92%
	Shin Kong Life Insurance Co., Ltd.	16.67%
	Farglory Life Insurance Inc.	4.17%
	Elan Microelectronics Corp.	4.17%
	Shinkong Insurance Co., Ltd.	4.17%
	Yeh Kuo Yi	4.17%
	Ampire Co., Ltd.	3.33%
	Taiwan Fire & Marine Insurance Co., Ltd.	3.33%
	Ying Sheng Wei	2.08%

(III) Substantial Shareholders of Corporate Shareholders whose Substantial Shareholders are Judicial Persons

As of April 30, 2018

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Hontai Life Insurance Co., Ltd.	Lin Chang Long	24.77%
	Wang Wan Ling	14.97%
	Hongsheng Industrial Co., Ltd.	6.63%
	Kaida Industrial Co., Ltd.	6.62%
	Hamburg Industries Co., Ltd.	3.92%
	Taiyo Life Insurance Company	3.44%
	Hon Chang industrial co., LTD	3.23%
	EVERPRO Insurance Brokers Co., Ltd.	2.56%
	Runtai Industrial Co., Ltd.	2.46%
	Cheng-Hui Industry Co., Ltd.	2.41%

As of January 9, 2018

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.	100%

As of April 30, 2018

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.	100%

As of April 17, 2018

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Farglory Life Insurance Inc.	Shin Yu Investment Ltd.	19.00%
	Fareast Land Development Co., Ltd.	12.48%
	Global View Co., Ltd.	8.91%
	Teng-Hsiung Chao	8.49%
	Harvard International Investment Co., Ltd.	6.71%
	RuiChi International Investment Co., Ltd.	6.43%
	Far Glory International Investment Co., Ltd.	6.43%
	Yeh Chun Yao	5.96%
	Chao Yu Niu	5.77%
	Tungyuan Construction Co., Ltd.	5.63%

As of April 12, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Elan Microelectronics Corporation	Morgan Stanley investment account in the custody of HSBC Taiwan	3.71%
	Dedicated investment account of iShares IV in the custody of Standard Chartered Bank	3.07%
	Dedicated investment account of Credit Suisse Group AG in the custody of Standard Chartered Bank	2.71%
	Yu-Long Investments Co, Ltd.	2.33%
	PMorgan Chase in custody for APG Emerging Market Equity Pool	2.30%
	JPMorgan Chase in custody for Robeco Capital Growth Funds	2.27%
	Citibank Taiwan in custody for Norges Bank	1.84%
	Ye Yihao	1.66%
	Deutsche Bank in custody for GS Core Equity Portfolio	1.55%
	JPMorgan Chase in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.49%

As of April 15, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Shinkong Insurance Co., Ltd.	Shinkong Textile Co., Ltd.	16.31%
	Shin Kong Life Insurance Co., Ltd.	9.40%
	Taiwan Shinkong Industrial Co., Ltd.	5.08%
	Hong Pu Enterprise Co., Ltd.	2.35%
	Kuang Ming Co, Ltd..	1.94%
	Chian Cheng Yi Co., Ltd.	1.73%
	Cosmos Hotel Taipei	1.72%

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
	Hong En Co, Ltd.	1.43%
	Shih Pu Investment Co., Ltd.	1.39%
	Beitou Hotel Co., Ltd.	1.29%

As of April 30, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Ampire Co., Ltd.	AMICCOM Electronics Corporation., Ltd.	5.49%
	Su Han Chieh	2.89%
	Yang Yi Tsai	3.11%
	Chen Chi Yung	2.32%
	Chi-Ding Investment Co., Ltd.	2.19%
	Kuan-Wei Investments and Development Co, Ltd.	2.17%
	Huang Wen Hua	2.28%
	Liu Lai Fu-Zi	1.39%
	Morgan Stanley investment account in the custody of HSBC Taiwan	1.63%
	Chen Po Shou	1.43%

As of April 16, 2019

Name of corporate shareholder	Substantial Shareholders of the Corporate Shareholders	
	Shareholder	Shareholding ratio
Taiwan Fire & Marine Insurance Co., Ltd.	Bank of Taiwan	17.84%
	Ling Hang Investments and Development Co., Ltd.	6.95%
	Yong-Hsin Development Co., Ltd.	6.67%
	Chiao-Nong Investment Co Ltd.	3.04%
	Taichung Commercial Bank Co., Ltd.	2.94%
	Ling Hang Construction Co., Ltd.	2.93%
	Land Bank of Taiwan	2.83%
	Chia-Te Investment Co., Ltd.	2.20%
	Tai-Hung Lee	2.07%
	Tung Sheng Development Co, Ltd.	1.91%

(IV) Directors and Supervisors

Conditions / Name (Note 1)	Has more than 5 years of work experience and the following professional qualifications			Complies with terms for independence (Note 2)										Number of other public companies where the individual concurrently serves as an Independent Director
	Instructor or above in public/private university /college in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	A judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in business administration, law, finance, accounting, or another discipline relevant to the Company's operations	1	2	3	4	5	6	7	8	9	10	
Representative of Jun Wei Investment Co., Ltd: Liu Yu Teng	-	✓	✓	-	-	-	-	-	✓	✓	-	✓	-	-
Representative of Zhen Han Investment Co., Ltd: Cheng Ming Lung	-	-	✓	-	-	-	-	-	✓	✓	-	✓	-	-
Representative of Yuang Ding Investment Co., Ltd: Shen Li Ping	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Liu Tian Dao	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Wei Tsung Te	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Hsieh Po Chuan	✓	-	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-
Liu Shu Liang	-	-	✓	✓	✓	-	-	✓	✓	✓	-	✓	✓	-
Chen Hung Yi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1: Number of columns will be adjusted based on actual numbers.

Note 2: For any Director or Supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [ ] sign in the field next to the corresponding conditions.✓

(1) Not employed by the Company or its affiliated companies.

(2) Not serving as a Director or Supervisor of the Company or any of its affiliates (this does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established in pursuant to this law or local laws).

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, second-degree relative, or direct, blood-related third-degree relative of the personnel listed in the first three criterion

(5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company.

(7) Not a professional individual or owner, partner, Director (member of the governing board), Supervisor (member of the supervisory board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated business. This restriction, however, does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Corporation Whose Stock is Listed on the Stock Exchange or

Traded Over the Counter."

(8) Not a spouse or a relative within the second degree of kinship with any Director.

(9) No condition defined in Article 30 of the Company Law has appeared.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(V) General Manager, Vice Presidents, Assistant Managers, and Managers of Departments and Branches

As of the book closure date on April 28, 2019; Unit: shares

Title (Note 1)	Name	Nationality	Gender	Date first elected or assumed office	Number of shares held		Shares held by spouse and minor children		Shares held in others' names		Work and academic experiences (Note 2)	Positions concurrently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
General Manager	Cheng Ming Lung	Republic of China	Male	2014.01.01	965,717	2.64	—	—	—	—	1. Bachelor's Degree in Fashion Design, Shih Chien University 2. Manager in Sinyi Realty Corp. 3. Manager and Vice President in Administration Department at Great Tree Pharmacy Co., Ltd.	1. President of Ivy Biotechnology Co., Ltd. 2. Chairman and President of Zhen Han Investment Co., Ltd.	—	—	—
Assistant Manager at Finance Department	Wu Shu Yi	Republic of China	Female	2013.11.01	106,599	0.29	—	—	—	—	1. Bachelor's Degree, Accounting Department, Fu Jen Catholic University 2. Senior Manager, Ernst & Young 3. Finance Manager at Great Tree Pharmacy Co., Ltd.	—	—	—	—
Manager at Logistics Department	Hsu Hao	Republic of China	Male	2017.01.01	156,007	0.43	22,827	0.06	—	—	1. Department of Electrical Engineering, National United University 2. Assistant Manager, Purchasing Department, Great Tree Pharmacy Co., Ltd.	—	—	—	—
Chief Auditor	Huang Shu Yi	Republic of China	Female	2014.08.11	8,819	0.02	—	—	—	—	1. Bachelor's Degree in Accounting, Tunghai University 2. Manager in Ernst & Young	—	—	—	—
Manager in Store Development Department	Sung Chao Feng	Republic of China	Male	204.04.01	207,165	0.57	7,314	0.02	—	—	1. Bachelor's Degree in Logistics Management from University of Kang Ning 2. Logistics Specialist and Store Development Specialist, Great Tree Pharmacy Co., Ltd.	—	—	—	—

Note 1: Disclosure of information on General Manager, Vice Presidents, Assistant Managers, and Managers from all departments and branches and ranks equivalent to General Manager, Vice Presidents, and Assistant Managers, regardless of titles, shall be required.

Note 2: For the current positions in the CPA firm or affiliates in the first term mentioned above, the titles and duties of such positions should be clearly stated.

III. Remuneration paid to Directors, Supervisors, General Manager and Vice Presidents in the Most Recent Year

(I) Remuneration to Directors including Independent Directors (Disclosure includes name and levels of remuneration) as of December 31, 2018; Unit: thousand NTD

Title	Name	Remunerations for Directors								Ratio of total remunerations including A, B, C, and D to net income after tax (%) (Note 10)		Compensations paid to concurrent employees								Ratio of total remunerations including A, B, C, D, E, F, and G to net income after tax (%) (Note 10)		Remunerations paid to Directors from an invested company other than the Company's subsidiary (Note 11)
		Remuneration (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonus and Allowances (E) (Note 5)		Retirement Allowance (F)		Employee Bonus (G) (Note 6)						
		The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company	All companies in the Consolidated Financial Statements (Note 7)	The Company		All companies in the Consolidated Financial Statements (Note 7)		The Company	All companies in the Consolidated Financial Statements (Note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Representative of Jun Wei Investment Co., Ltd: Liu Yu Teng	2,572	2,572	-	-	151	151	-	-	2.57	2.57	-	-	-	-	-	-	-	-	2.57	2.57	None
Director	Representative of Zhen Han Investment Co., Ltd: Cheng Ming Lung	-	-	-	-	151	151	-	-	0.14	0.14	2,606	2,606	-	-	-	-	-	-	2.60	2.60	None
Director	Representative of Yuan Ding Investment Co, Ltd: Shen Li Ping	-	-	-	-	151	151	24	24	0.17	0.17	-	-	-	-	-	-	-	-	0.17	0.17	None
Independent Director	Liu Tian Dao	-	-	-	-	151	151	24	24	0.17	0.17	-	-	-	-	-	-	-	-	0.17	0.17	None
Independent Director	Wei Tsung Te	-	-	-	-	151	151	24	24	0.17	0.17	-	-	-	-	-	-	-	-	0.17	0.17	None
Unless disclosed above, the Directors of the most recent year received remuneration for providing services (e.g. serving as a non-employee consultant) to the companies listed in this financial report: None.																						

Note: The net income after tax on the Company's Individual Financial Statement was NT$106,002,000 in 2018.

Table of Remuneration Ranges

Table of Remuneration Ranges for Directors	Name of Director			
	Total remunerations from A to D (A+B+C+D)		Total remunerations from A to G (A+B+C+D+E+F+G)	
	The Company (Note 9)	All companies in the Consolidated Financial Statements (Note 10) (I)	The Company (Note 9)	All companies in the Consolidated Financial Statements (Note 10) (J)
Less than NT$2,000,000	Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd) Shen Li Ping (Representative of Yuang Ding Investment Co, Ltd) Liu Tian Dao, Wei Tsung Te,	Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd) Shen Li Ping (Representative of Yuang Ding Investment Co., Ltd) Liu Tian Dao, Wei Tsung Te	Shen Li Ping (Representative of Yuang Ding Investment Co., Ltd) Liu Tian Dao, Wei Tsung Te	Shen Li Ping (Representative of Yuang Ding Investment Co., Ltd) Liu Tian Dao, Wei Tsung Te
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd)	Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd)	Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd) Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)	Liu Yu Teng (Representative of Chun-Wei Investment Co., Ltd) Cheng Ming Lung (Representative of Zhen Han Investment Co., Ltd)
Total	5 persons	5 persons	5 persons	5 persons

Note 1: The names of Directors shall be listed separately (names of corporate shareholders and representatives shall be listed separately), and the payment amounts shall be disclosed collectively. This table and the following table 3 shall be filled if a Director concurrently serves as the General Manager or Vice President.

Note 2: Remunerations paid to Directors in 2018 (including salaries, job allowances, severance pay, bonuses, and performance fees).

Note 3: Remunerations paid to Directors as approved by the Board of Director's meeting in 2018.

Note 4: Business expenses paid out to Directors in 2018 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by Directors who concurrently serve as employees (including General Manager, Vice President or other managerial officers and employees) in 2018. In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits. Any salary listed under IFRS 2 Share-Based Payment, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included in benefits.

Note 6: For employee bonus (including stock and cash dividends) received by Directors who concurrently serve as employees (including General Manager, Vice President or other managerial officers and employees) in 2018, the amount of employee bonus allocations approved by the Board meeting in the most recent year shall be disclosed. If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year, and Table 1-3 shall be filled out.

Note 7: Total remunerations in various items paid out to the Company's Directors by all companies (including the Company) listed in the consolidated financial statement shall be disclosed.

Note 8: The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to each Director by the Company.

Note 9: Total remunerations in various items paid out to the Company's Directors by all companies (including the Company) listed in the consolidated financial statement shall be disclosed in the range of remunerations corresponding to the amount of all remunerations paid to each Director.

Note 10: Net income after tax refers to the net income after tax in the 2018 financial statements. In case IFRS has been adopted, net income after tax refers to the net income after tax in the 2018 Individual Financial Statements.

Note 11: a. The amount of remunerations received from subsidiaries other than investment companies by the Company's Directors should be stated clearly in this column.

b. If the General Manager and Vice Presidents of the Company receive remunerations from investee companies other than subsidiaries, the amount of remunerations received by the General Manager and Vice Presidents from investment companies other than subsidiaries shall be combined into Column E of the table for ranges of remunerations, and this column shall be renamed as "All Investment Companies."

c. Remunerations refer to rewards, compensations (including compensations for Company employees, Directors or Supervisors) and allowances from professional practice received by the Director from other non-subsidiary companies invested by the Company for their services as Directors, Supervisors, or managers.

＊ The disclosed contents and amounts in this table are calculated from a concept different from the calculations of income tax. Hence the purpose of this table is solely for the purpose of information disclosure and not for tax purposes.

(II) Remunerations for Supervisors (Disclosed in table for ranges of remunerations and names of Supervisors)

As of December 31, 2018; Unit: thousand NTD

Title	Name	Remunerations for Supervisors						Ratio of total remunerations including A, B, and C to net income after tax (%) (Note 8)		Remunerations Paid to Supervisors from an invested company other than the Company's subsidiary (Note 9)
		Remuneration (A) (Note 2)		Bonus (B) (Note 3)		Allowances (D) (Note 4)				
		The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies in the Consolidated Financial Statements (Note 5)	
Supervisors	Hsieh Po Chuan	—	—	151	151	24	24	0.17	0.17	None
Supervisors	Liu Shu Liang	—	—	151	151	24	24	0.17	0.17	None
Supervisors	Chen Hung Yi	—	—	151	151	24	24	0.17	0.17	None

Note: The net income after tax on the Company's Individual Financial Statement was NT$106,002,000 in 2018.

Table of Remuneration Ranges

Table of Remuneration Ranges for Supervisors	Name of Supervisor	
	Sum of A to C (A+B+C)	
	The Company (Note 6)	All companies in the Consolidated Financial Statements (Note 7) D
Less than NT$2,000,000	Hsieh Po Chuan Liu Shu Liang Chen Hung Yi	Hsieh Po Chuan Liu Shu Liang Chen Hung Yi
Total	3 persons	3 persons

Note 1: The names of Supervisors shall be listed separately (names of corporate shareholders and representatives shall be listed separately), and the payment amounts shall be disclosed collectively.

Note 2: Remunerations paid to Supervisors in 2018 (including salaries, job allowances, severance pay, bonuses, and performance fees).

Note 3: Remunerations paid to Supervisors as approved by the Board of Director's meeting in 2018.

Note 4: Business expenses paid out to Supervisors in 2018 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits.

Note 5: Total remunerations in various items paid out to the Company's Supervisors by all companies (including the Company) listed in the consolidated financial statement shall be disclosed.

Note 6: The name of each Supervisor shall be disclosed in the range of remunerations corresponding to the amount of all the remuneration paid to each Supervisor by the Company.

Note 7: Total remunerations of various items paid to every Supervisor of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the Supervisor shall also be disclosed in the proper remuneration range.

Note 8: Net income after tax refers to the net income after tax in the 2018 financial statements. In case IFRS has been adopted, net income after tax refers to the net income after tax in the Individual Financial Statements of the most recent year.

Note 9: a. Remunerations which the Company's Supervisors receive from other non-subsidiary invested by the Company shall be disclosed in this column.

b. If a Supervisor of the Company receives remunerations from investee companies other than subsidiaries, the amount of remuneration received by the Supervisor from investment companies other than subsidiaries shall be combined into Column D of the table for ranges of compensations, and this column shall be renamed as "All Investment Companies."

c. Remunerations refer to rewards, compensations (including compensations for company employees, Directors or Supervisors) and allowances from professional practice received by the Supervisor from other non-subsidiary companies invested by the Company for their services as Directors, Supervisors, or managers.

＊ The disclosed contents and amounts in this table are calculated from a concept different from the calculations of income tax. Hence the purpose of this table is solely for the purpose of information disclosure and not for tax purposes.

(III) Remunerations for General Manager and Vice Presidents (Disclosed in table for ranges of compensations and names) as of December 31, 2018; Unit: thousand NTD

Title	Name	Pay (A) (Note 2)		Severance Pay (B)		Bonuses and allowances (C) (Note 3)		Profit-sharing employee bonus (D) (Note 4)				Ratio of the total of 4 items A, B, C and D to net income after tax (Note 8)		Remuneration Paid to Supervisors from an invested company other than the Company's subsidiary (Note 9)
		The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company	All companies in the Consolidated Financial Statements (Note 5)	The Company		All companies in the Consolidated Financial Statements (Note 5)		The Company	All companies in the Consolidated Financial Statements (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Cheng Ming Lung	3,905	3,905	0	0	0	0	273	0	273	0	3.94	3.94	None
Assistant Manager	Wu Shu Yi													

＊ Disclosure is required for ranks equivalent to General Manager, Vice Presidents, and Assistant Managers, regardless of titles in the Company.

Note: The net income after tax on the Company's Individual Financial Statement was NT$106,002,000 in 2018.

Table of Remuneration Ranges

Ranges of remunerations paid to General Manager and Vice Presidents of the Company	Name of General Manager and Vice Presidents	
	The Company (Note 7)	All companies in the Consolidated Financial Statements (Note 8) E
Less than NT$2,000,000	Wu Shu Yi	Wu Shu Yi
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Cheng Ming Lung	Cheng Ming Lung
Total	2 persons	2 persons

Note 1: Names of General Manager and Vice President shall be separately listed while remunerations may be disclosed collectively. This table and the table above (1) shall be filled if a Director concurrently serves as the General Manager or Vice President.

Note 2: Pay, bonuses, retirement allowance and severance pay paid to the General Manager and Vice President in 2018.

Note 3: Cash and non-cash remunerations to the General Manager and Vice Presidents in the most recent year, including bonus, reward, reimbursement of expenses, special allowances, various subsidies, housing and use of vehicle. In case housing, vehicle, or other forms of transportation or dedicated personal expense is paid for, the nature of

the asset provided and its costs, actual or fair value measurements of rents, gas, and other forms of benefits shall be disclosed. In case driver is provided, please disclose salaries paid to said driver in a note, but such salaries will not be included toward benefits. Any salary listed under IFRS 2 Share-Based Payment, including issuance of employee stock options, new restricted employee shares and cash capital increase by stock subscription shall also be included in compensations.

Note 4: For employee bonus (including stock and cash dividends) received by the General Manager and Vice President in 2018, the amount of employee bonus allocations approved by the Board meeting in the most recent year shall be disclosed. If such remunerations cannot be estimated, an estimation for this year shall be calculated in proportion of the remunerations paid last year, and Table 1-3 shall be filled out. Net income after tax refers to the net income after tax from the most recent year. In case IFRS has been adopted, net income after tax refers to the net income after tax in the Individual Financial Statements of the most recent year.

Note 5: Total remunerations in various items paid out to the Company's General Manager and Vice Presidents by all companies (including the Company) listed in the consolidated financial statement shall be disclosed.

Note 6: The name of each General Manager and Vice President shall be disclosed in the range of remunerations corresponding to the amount of all the remunerations paid to each General Manager and Vice President by the Company.

Note 7: Total remunerations of various items paid to every General Manager and Vice President of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the General Manager and Vice President shall also be disclosed in the proper remuneration range.

Note 8: Net income after tax refers to the net income after tax in the 2018 financial statements. In case IFRS has been adopted, net income after tax refers to the net income after tax in the Individual Financial Statements of the most recent year.

Note 9: a. The amount of remunerations received from subsidiaries other than investment companies by the Company's General Manager and Vice President should be stated clearly in this column.

b. If the General Manager and Vice Presidents of the Company receives remunerations from investee companies other than subsidiaries, the amount of remunerations received by the General Manager and Vice Presidents from investment companies other than subsidiaries shall be combined into Column E of the table for ranges of compensations, and this column shall be renamed as "All Investment Companies."

c. Remunerations shall refer to compensations (including compensations as a company employee, Director, or Supervisor), business expenses, and other related payments received by the General Manager and Vice President of this Company for being a Director, Supervisor, or managerial officer of other non-subsidiary companies that the Company has invested in.

＊ The disclosed contents and amounts in this table are calculated from a concept different from the calculations of income tax. Hence the purpose of this table is solely for the purpose of information disclosure and not for tax purposes.

(IV) Names of Managers and the Distribution of Employee's Profit-sharing Bonus

As of December 31, 2018; Unit: thousand NTD

	Title	Name	Stock amount	Cash amount	Total	Percentage of total compensations on the net income after tax (%)
Manager	General Manager	Cheng Ming Lung	0	384	384	0.36
	Assistant Manager at Finance Department	Wu Shu Yi				
	Manager at Logistics Department	Hsu Hao				
	Manager in Store Development Department	Sung Chao Feng				

Note 1: Name and title of each individual shall be disclosed, yet the earnings distribution may be disclosed in consolidated form.

Note 2: Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. Net income after tax refers to the net income after tax from the most recent year. In case IFRS has been adopted, net income after tax refers to the net income after tax in the Individual Financial Statements of the most recent year.

Note 3: Pursuant to Directive Letter No. 0920001301 from the Securities and Futures Bureau on March 27, 2003, the applicable scope for managers includes the following:

(1) General Manager and its equivalent;
(2) Vice President and its equivalent;
(3) Assistant Manager and its equivalent
(4) Finance Manager
(5) Accounting Manager
(6) Other persons with the rights to manage Company tasks and signage rights

Note 4: In case Directors, General Manager or Vice President have received employee bonus (including stock and cash dividends), this table shall also be filled on top of Table 1-2.

(V) Analysis of the ratio of remunerations paid by the Company and all companies in the Consolidated Financial Statements to Company Directors, Supervisors, General Manager, and Vice President in the most recent two years on the net income after tax and explanation of policy, standards and mix of remunerations, procedures in setting remunerations and correlations to management performance and future risks:

Title	2017				2018			
	Total compensations (in NT$1,000)		Percentage on the net income after tax (%)		Total compensations (in NT$1,000)		Percentage on the net income after tax (%)	
	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements	The Company	All companies in the Consolidated Financial Statements
Director	5,117	5,117	4.98	4.98	6,005	6,005	5.68	5.68
Supervisors	414	414	0.39	0.39	525	525	0.51	0.51
General Manager and Vice President	3,915	3,915	3.82	3.82	4,178	4,178	3.94	3.94

Note: Net income after tax refers to net income after tax on the 2018 and 2017 financial statements.

The Company's remunerations for Directors and Supervisors are handled in accordance with the Company's Articles of Incorporation. Since managers have the obligations to carry out both Company management and operations, compensations for managers include pay, bonus, and employee bonus, and are carried out in accordance with the Company's remuneration system and in consideration of individual manager's seniority, experiences, management performance, and levels of contribution. Future risk is evaluated and remunerations are paid out in reference to industry standards.

IV. Status of Corporate Governance

(I) Functions of the Board: Up to the date of publication of this Annual Report, the Board of Directors has convened 6 and 2 meetings in the most recent year (2018) and in 2019, respectively. Therefore, the Board has convened 8 meetings total with the following attendance from Directors and Supervisors:

Title	Name (Note 1)	Actual attendance (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note 2)	Remark
Chairman	Jun Wei Investment Co., Ltd Representative: Liu Yu Teng	7	1	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Director	Zhen Han Investment Co., Ltd Representative: Cheng Ming Lung	8	0	100.00%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Director	Yuang Ding Investment Co., Ltd Representative: Shen Li Ping	7	0	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Independent Director	Liu Tian Dao	8	0	100.00%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Independent Director	Wei Tsung Te	8	0	100.00%	Attendance required: 8 times; newly appointed; Date of re-election: June 23, 2017
Supervisor	Liu Shu Liang	3	0	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Hsieh Po Chuan	3	0	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Chen Hung Yi	7	0	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017

Other required disclosure:

I. The date of the board meeting, the term, content of the proposals, opinion of all Independent Directors, and the Company's handling of the opinion of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

(I) Items listed in Article 14-3 of Securities and Exchange Act.

Date	Number of meeting	Content of proposal	All Independent Directors' opinion and the reaction

			toward Independent Directors' opinions by the Company shall be specified
2018.03.09	5th Meeting of the 2nd Board of Directors	The Company's proposal to reinvest surplus and issuance of new shares	Passed by all Independent Directors without dissent.
		The Company proposes to issue new shares to raise capital and to issue the first domestic unsecured convertible bonds	Passed by all Independent Directors without dissent.
2018.11.08	9th Meeting of the 2nd Board of Directors	Establishment of the Company's "Accounting System", "Internal Control System for Property, Plant and Equipment", "Guidelines on Implementation of Internal Audit", and "Management Method of Financial and Non-financial Information"	Passed by all Independent Directors without dissent.
2018.12.21	10th Meeting of the 2nd Board of Directors	To amend some of the articles in the Company's "Procedures for Acquisition and Disposal of Assets"	Passed by all Independent Directors without dissent.
		To participate in Ivy Biotechnology Co., Ltd.'s capital increase	Passed by all Independent Directors without dissent.
2019.01.02	11th Meeting of the 2nd Board of Directors	To participate in the management of Prohealthcare Franchise, a business division of Maywufa Company Limited, and to receive royalty and management fees	Passed by all Independent Directors without dissent.
2019.03.28	12th Meeting of the 2nd Board of Directors	To amend some of the articles in Company's "Articles of Incorporation"	Passed by all Independent Directors without dissent.
		The Company's proposal to reinvest surplus and issuance of new shares	Passed by all Independent Directors without dissent.
		To amend some of the articles in the Company's "Procedures for Loaning of Funds"	Passed by all Independent Directors without dissent.
		To amend some of the articles in the Company's "Procedures for Providing Endorsements/Guarantees"	Passed by all Independent Directors without dissent.

(II) Other than the matters mentioned above, other resolutions on which the Independent Directors have dissenting opinions or qualified opinions: None.

II. In regards to the recusal of Directors from voting due to conflict of interests, the name of the Directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated:

(I) 10th Meeting of the 2nd Board of Directors on December 21, 2018
Proposal: Distributions of managers' year-end bonus.
Recusal: As Director Cheng Ming Lung concurrently serves as a manager of the Company, to prevent conflicts of interest, he has sought for recusal before the resolution of the proposal. After the Chair asked all other attending Directors to express their opinion and to discuss the proposal, it was passed without dissent.

(II) 12th Meeting of the 2nd Board of Directors on March 28, 2019
Proposal: Salary adjustments of managers in 2019.
Recusal: As Director Cheng Ming Lung concurrently serves as a manager of the Company, to prevent conflicts of interest, he has sought for recusal before the resolution of the proposal. After the Chair asked all other attending Directors to express their opinion and to discuss the proposal, it was passed without dissent.

III. Measures taken to strengthen the functions of the Board (for example, establishing an Audit Committee and enhancing information transparency) for the current year and the most recent year and the implementation:

(I) In terms of strengthening functions of the Board: the Company has established the "Rules of Procedure for Board of Directors Meetings" and "Self-Evaluation or Peer Evaluation Methods of the Board of Directors," and subsequent operations, evaluation, and assessment of the Board will be handled in accordance with relevant rules.

(II) In terms of enhancing information transparency: the Company has set up a spokesperson and a deputy

spokesperson to answer external inquiries. In addition, the Company has set up a corporate website (www.greattree.com.tw) which encompasses: corporate governance, company organization, financial information, shareholders' section, and stakeholders' section.

Note 1: In case Directors or Supervisors are judicial persons, the name of the corporate shareholder and the name of its representative shall be disclosed.

Note 2:

(1) In case any Director or Supervisor has been released of his/her duty before year end, the date of turnover shall be recorded in the Remarks column. Actual attendance rate (%) shall be calculated based on the number of Board meetings convened and his/her actual attendance during his/her term of service.

(2) In case any seat of Director or Supervisor has been re-elected before year end, both the previous and current Director/Supervisor shall be filled, and Remarks should indicate whether a Director/Supervisor was from a previous term, newly appointed, re-appointed, and the date of re-election. Actual attendance rate (%) shall be calculated using the number of Directors' Meetings convened and actual attendance during the term of service.

(II) Supervisors' participation in the Board meeting: In the most recent year (2018) and 2019 as of the publication of this Annual Report, the Board has convened 6 and 2 meetings respectively. Therefore, the Board has convened 8 meetings in the most recent year (A) with the following attendance:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A) (Note)	Remark
Supervisors	Liu Shu Liang	3	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Hsieh Po Chuan	3	37.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017
Supervisor	Chen Hung Yi	7	87.50%	Attendance required: 8 times; re-appointed; Date of re-election: June 23, 2017

Other required disclosure:

I. Formation and duties of Supervisors:

(I) Communications between the Supervisors and the Company staff and shareholders: channels of communication are established through the Company website, telephone, and fax.

(II) Communication between the Supervisor and the internal audit manager or CPAs (shall include material matters, methods, and results of communication on the finances and state of business of the Company):

1. Supervisors have no objection to the audit report submitted by the audit department of audit items to Supervisors in the next following month after the audit is completed.
2. Audit manager attends regular Board meetings, where he/she reports about audit tasks, and to which Supervisors have had no objections.
3. If necessary, the Supervisors will communicate with CPA over financial status through in-person visit, phone, or via written correspondence.

II. If Supervisors who attend the Board Meetings need to make statements, they shall specify the date of the Board Meeting, the number of the term, the content of the proposal, resolution of the meeting and the follow-up procedure of the Company toward the statements: None.

Note:

∗ In case any Supervisor has been released of his/her duty before year end, the date of turnover shall be recorded in the Remarks column. Actual attendance rate (%) shall be calculated based on the number of Board meetings convened and his/her actual attendance during his/her term of service.

∗ In case any seat of Supervisor has been re-elected before year end, both the previous and current Director/Supervisor shall be filled, and Remarks should indicate whether a Supervisor was from a previous term, newly appointed, re-appointed, and the date of re-election. Actual attendance rate (%) shall be calculated using the number of Directors' Meetings convened and actual attendance during the term of service.

(III) Implementation of Corporate Governance and the Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	Yes		To establish a fair corporate governance system, the Company's Board of Directors has already approved of and implemented "Corporate Governance Best Practice Principles" on March 20, 2015.	No major deviations.
II. Shareholding structure and shareholders' rights (I) Does the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure? (II) Does the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders? (III) Does the company establish and enforce risk control and firewall systems with its affiliated businesses? (IV) Does the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	 Yes Yes Yes Yes		(I) The Company has established a set of "Rules of Procedure for Shareholders' Meeting" and has also established a spokesperson and deputy spokesperson system in accordance with related laws. Designated personnel are set up to handle investor relations and problems related to shareholders. (II) The Company designates the share transfer agency to regularly update the list of substantial shareholders and register of substantial shareholders to fully understand the register of persons exercising ultimate control over the equity of the Company. (III) Various financial and business dealings between the Company and its related entities are based on the principle of being mutually independent, and management procedures of transactions with the parent company has been established on top of relevant management rules including "Transaction Procedures for Related Parties, Specific Companies, and Group Enterprises." (IV) The Company has established "Procedures for Ethical Management and Guidelines for Conduct" and "Management Procedures to Prevent Insider Trading." Internal personnel are required to abide by related laws and internal procedures, and shall not utilize information undisclosed to the public toward insider trading or to reveal such information to prevent others from utilizing such information toward insider trading.	 No major deviations. No major deviations. No major deviations. No major deviations.
III. Composition and Responsibilities of the Board of Directors (I) Does the Board of Directors establish diversification for the composition of the Board of Directors and implement such rules accordingly?	 Yes		(I) The members of the Board are elected from fair, just, and open election procedures, and nominees are chosen from among nominees with suitable backgrounds, industries, or relevant professional knowledge and experience. The Company also actively considers nominees who can	 No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(II) In addition to setting up Remuneration Committee and Audit Committee pursuant to the law, does the company voluntarily set up other functional committees? (III) Does the company establish evaluation methods to evaluate performance of its Board and conducts performance evaluation on an annual basis? (IV) Does the company regularly implement assessments on the independence of CPA?	Yes Yes	No	bring diversified backgrounds and perspectives. So that the members of the Board may maintain adequate boundaries and balance between skills, experiences, knowledge, and characters. (II) The Company will establish other functional committees based on actual operating needs in the future. (III) The Company has established "Self-Evaluation or Peer Evaluation Methods of the Board of Directors" on March 20, 2015 and carries out relevant evaluations based on these rules on an annual basis. Currently, Directors will conduct self-evaluation then receive anonymous evaluation from their peers at the end of the year, and results of which will be used toward performance review. (IV) The Company's Board of Directors evaluates the independence of CPA pursuant to Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" in each year. The finance division of the Board meeting will first establish contents to be evaluated based on Article 47 of the Certified Public Accountant Act and Announcement No. 10 of the Code of Professional Ethics for Certified Public Accountant of the Republic of China. CPA Lo Hsiao Chin and CPA Cheng Ching Piao from Ernst & Young Taiwan, commissioned for 2017 and 2018, both meet the evaluation standards for independence from the Company, and a Declaration of Independence from Ernst & Young has also been received. The aforementioned documents have been submitted to the Board on March 9, 2018 and March 28, 2019 respectively, proving that the aforementioned CPA can adequately serve as the Company's CPA.	Explanation on the left (2) No major deviations. No major deviations.
IV. Has the TWSE/TPEx listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing Directors and Supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders	Yes		Upon resolution from the Board meeting on March 28, 2019, the Company has designated Assistant Manager Wu Shu Yi from Finance Department to serve as the Company's corporate governance personnel to protect the rights and interests of shareholders and to strengthen the functions of the Board. Assistant Manager Wu Shu Yi has more than 5 years of work experience in management functions including accounting and finance in a publicly listed company, and her major functions include providing Directors (including Independent Directors) and Supervisors with information needed to fulfill their duties, assisting Directors (including Independent Directors) and Supervisors in legal	No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
meetings?			compliance, and processing tasks related to Board meetings and Shareholders' Meetings in accordance with the laws.	
V. Whether the company has established channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers), and opened a stakeholder's section on the company's website, and responded appropriately to stakeholders' interests/concerns regarding corporate social responsibility.	Yes		Founded on our respect for stakeholders' interests, the Company has identified relevant stakeholders and understood the reasonable expectations and needs from stakeholders through appropriate means of communications and stakeholder participation. We have established a corporate website in Chinese to fully disclose relevant information such as Company finances, as well as set up an Investors' section to disclose relevant information (www.greattree.com.tw/know.aspx?d=7). We have also appropriately responded to material CSR topics of concern to the stakeholders, and each department has been designated with communications with relevant stakeholders: (I) Shareholders and investors 1. A Shareholders' Meeting is convened in each year and resolutions for proposals are achieved through vote one by one. Shareholders can also exercise their voting rights through electronic voting to fully participate in the process of proposal resolution. 2. Annual Report for the Shareholders' Meeting is prepared in each year, and Investor Conference is held from time to time in each year to report on Company operating status to facilitate in investors' decision-making. 3. Revenues from the previous month is announced on the MOPS and the Company website on a monthly basis. (II) Employees Employee relations conference is held regularly, and store manager meeting is convened along with educational training in each month. (III) Customers and consumers Consumers can join the Company's membership to receive members' privileges and to immediately provide relevant feedback and opinions for revisions to store personnel while shopping. They can also provide concerns and feedback to the Company via customer service hotline. (IV) Suppliers The Company ensures that suppliers are in full compliance with national laws regarding human rights, environmental protection and food safety through visits and organizing supplier evaluation and review, and that	No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			suppliers do not use child labor or abnormal materials during production processing, thus helping to supervise and assist suppliers to strengthen compliance to various laws.	
VI. Has the Company appointed a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	Yes		The Company has appointed the Share Administration Agency of Taishin International Bank to manage its share transfer tasks and Shareholders' Meeting.	No major deviations.
VII. Information disclosure and announcement (I) Does the company establish a corporate website to disclose information regarding its financials, business, and corporate governance status? (II) Does the company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	 Yes Yes		(I) The Company has established a corporate website, which contains an Investors section, where the shareholders and investors may inquire information on the Company's financial status and corporate governance. (http://www.greattree.com.tw/) (II) The Company is currently constructing an English-language website, and designated personnel are responsible for collecting and disclosing Company information and to timely update the information on Investors section on the website. To ensure information intended for the public can be immediately and accurately disclosed, the Company has appointed General Manager Cheng Ming Lung as the spokesperson, and Assistant Manager Wu Shu Yi as the deputy spokesperson who will both represent the Company externally. In case the Company organizes Investors Conference, any briefing or audio-visual information will be disclosed on the Investors section on the Company website.	 No major deviations. No major deviations.
VIII. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for its Directors)?	Yes		(I) Employee rights: the Company's operations are in line with rules from the Labor Standards Act. Please see Chapter V. Operations Overview - Labor Management Relations for relevant employee benefit measures, studies and training, and pension system. (II) Employee wellness: the Company is committed to providing a safe and healthy work environment for employees, and regularly organizes company-wide employee health checkup in each year to protect the health and wellness of all employees. (III) Investors relations: in addition to disclosing Company operations or financial information on the MOPS in accordance with the law, the Company has also established a point of contact for investors relations to be responsible for information disclosure and maintenance of investor relations to enhance Company transparency.	No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			(IV) Suppliers relations: the Company continues to promote "traceability management" and requires suppliers to provide inspection reports to guarantee that their products are in compliance with relevant laws and regulations. (V) Rights of stakeholders: the Company has set up online announcement procedures for public information announcement, and has designated personnel to be responsible for collection and disclosure of Company information to ensure that information that may affect shareholders' and stakeholders' decision-making can be disclosed on a timely and appropriate basis. (VI) Directors and Supervisors' training records: the Company's Directors and Supervisors are all equipped with relevant professional knowledge and have taken continuing studies courses in accordance with relevant laws and regulations. Required hours of such studies have also been met. Please see "MOPS/Corporate Governance/Directors' and Supervisors' attendance of Board meetings and continuing studies" for more details. (VII) Implementation of risk management policies and risk measurement standards: each department of the Company will review each other from time to time and internal auditors will also conduct either scheduled audit or as needed. Finally, Directors' and Supervisors' review are also carried out. In other words, layers of prevention and comprehensive risk control that involves everyone in the organization is adopted. (VIII) Implementation of consumer protection or customer policies: the Company actively collects customer feedback, analyzes customer needs, enhances service quality and proposes suitable solutions, and customer satisfaction is incorporated into ISO standards to strengthen management, enhance efficiency and quality control, and at the same time, an audit and follow-up mechanism has also been established. (IX) Purchasing liability insurance for Directors and Supervisors: the Company has purchased liability insurance for Directors and Supervisors to strengthen the protection of shareholders' interests.	
IX. Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the TWSE and provide priority measures and measures for those who have not yet improved.				

Items for evaluation	State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	

The items that the Company did not receive positive scores in the 5th Corporate Governance Evaluation in 2018 and progress of improvement are as follow:

Type of indicator	Item without positive score	Whether improvement has been made	Explanation for improvements yet to come
I. Maintaining shareholders' rights and treating shareholders equally	1.3 Is the company's annual shareholders' meeting attended by at least one-third of all Directors (including at least 1 Independent Director), and at least 1 Supervisor if Supervisors have been set up, and discloses the list of attendance in minutes of the meeting? (If shareholder's meeting is attended by the majority of all Directors and an Audit Committee has been set up and the head of the Audit Committee is present at the shareholders' meeting, 1 point will be added to its total score.) 】	Yes	The 2018 Annual Shareholders' Meeting was not attended by Independent Directors. This will be improved by the next Annual Shareholders' Meeting.
	1.6 Is the annual shareholders' meeting convened before the end of May?	No	
	1.9 Does the company upload a meeting notice in the English language 30 days prior to the date of the annual shareholders meeting?	Yes	Internal and external resources needed for preparing the English version of the meeting notice was not prepared before the evaluation, and this will be improved by the following year.
	1.10 Does the company upload an English version of the meeting handbook and any supplemental information 21 days before the date of the annual shareholders meeting?	Yes	Internal and external resources needed for preparing the English version of the Meeting Handbook and supplemental information was not prepared before the evaluation, and this will be improved by the following year.
	1.11 Does the company upload an English version of the Annual Report 7 days before the date of the annual shareholders meeting?	Yes	Internal and external resources needed for preparing the English version of the Annual Report was not prepared before the evaluation, and this will be improved by the following year.
II. Strengthening the structure and operations of the Board of Directors	2.2 Does the company establish a diversification policy for the composition of its Board of Directors and has implementations of the diversification policy been disclosed in its Annual Report and corporate website?	No	The Company has established a diversification policy of the composition of the Board; nevertheless, members of the current Board of Directors are all male and said policy has not been fully

Items for evaluation		State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Summary	
					implemented. Therefore, the implementation status has not been disclosed on the Annual Report and website.
	2.6 Does the company's Board of Directors include at least one female Director? (If seats for each gender reaches one-fourth of all seats and includes at least 1 female Independent Director, 1 point will be added to the company's total score.) 】		No		The Company's current Board of Directors are all male and does not have female members.
	2.7 Does the company voluntarily establish more seats of Independent Directors than the minimum required number by the law? (If seats for Independent Directors reaches the majority of all seats of Directors, 1 point will be added to the company's total score.) 】		No		The Company has held re-elections for Directors and Supervisors in 2017, and five seats of Directors (including 2 seats of Independent Directors) and three seats of Supervisors have been set up in accordance with the Company's Articles of Incorporation and relevant laws.
	2.10 Does the company establish an Audit Committee in accordance with relevant laws? (If the Audit Committee was set up voluntarily, 1 point will be added to the company's total score.) 】		No		The Company has yet to set up an Audit Committee.
	2.11 Does the company disclose in details the opinions of the Audit Committee regarding resolutions of material proposals and how the company has handled the opinions?		Not applicable		
	2.13 Does the company's Remuneration Committee convene at least 2 meetings in each year, and members of the committee have attended at least two of the meetings?		No		Since one of the committee members has taken a sick leave, the said member was only able to attend one of the two meetings convened in this year.
	2.14 Does the company establish functional committees other than the ones required by laws with no less than three members, and the majority of whom being Independent Directors as well as discloses its composition, function, and operations?		No		The Company has set up Remuneration Committee in accordance with laws, and will establish an Audit Committee in 2020 pursuant to laws and regulations.
	2.22 Are the procedures or methods designed to review the performance of the board of Directors approved by the board, and is self-evaluation conducted at least once in each year and results of which disclosed in the corporate website or Annual Report?		No		The evaluation results have not been disclosed on the Company website or the Annual Report.
	2.30 Does at last one internal auditor of the company possess certificates such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), or passed the CPA		No		The Company's internal auditing personnel meet the requirements and qualifications for internal auditing personnel of a TWSE/TPEx company, but

Items for evaluation		State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Summary	
	examination?			certification has not been obtained.	
III. Enhancing information transparency	3.2 Does the company simultaneously announce and report material information in English?		No	Internal and external resources needed in preparing material information announcement in English is not yet ready.	
	3.4 Does the company announce its annual financial reports within two months after the ending of a fiscal year?		No		
	3.5 Does the corporate website or MOPS disclose annual financial reports (including financial statements and notes to financial statements) in English?		No	Internal and external resources needed in preparing English version of the annual financial statements is not yet ready.	
	3.6 Does the corporate website or MOPS disclose mid-year financial reports (including financial statements and notes to financial statements) in English?		No	Internal and external resources needed in preparing English version of the mid-year financial statements is not yet ready.	
	3.8 Does the company voluntarily announce quarterly financial forecast report and relevant procedures have not had corrections from competent authority, and/or marked for deficiencies from the TWSE or TPEx?		No	The Company does not voluntarily provide financial forecast report.	
	3.14 Does the company's Annual Report disclose correlations between performance evaluation of Directors and their remunerations?		No		
	3.18 Does the company establish a corporate website in the English language which includes finance, business, and governance related information?		No	The Company has not yet completed internal and external resources needed in producing an English version of its website.	
IV. Fulfilling corporate social responsibility	4.1 Does the company establish appropriate governance structure to establish and review CSR policy, system, or relevant management objectives and discloses such information on its Annual Report and corporate website?		No	The Company has yet to set up a CSR unit.	
	4.2 Has the company established a/an dedicated (adjunct) unit for promoting ethical corporate management and corporate social responsibilities, and discloses in its annual reports and company website the operation and implementation of the said unit, and reports regularly to the Board of Directors?		No	The Company has yet to set up a CSR unit.	
	4.3 Does the company regularly disclose action plans to promote CSR and results of such implementations on its Annual Report and		No	The Company has yet to set up a CSR unit.	

Items for evaluation		State of Operations			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Summary	
	website?				
	4.5 Has the company's reports designed to disclose the company's non-financial information such as the CSR Report received third-party verification?		No	The Company has voluntarily prepared the 2017 CSR Report, but has not received third-party verification.	
	4.6 Does the company establish human rights protection policy in references to the International Bill of Human Rights and disclosed which on the Annual Report or website?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.7 Does the company sign collective bargaining or agreement with its labor union pursuant to the Collective Agreement Act?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.9 Do the Annual Report and website disclose various employee benefit measures, pension system and relevant implementation?		No	Disclosure of various measures has yet to be quantified and will be amended in the years to come.	
	4.11 Does the company disclose its annual emission volume of carbon dioxide or other greenhouse gas (GHG) over the past two years? (If external assurance has been achieved, 1 point will be added to the company's total score.) 】		No	Currently, the Company does not have sufficient internal or external resources to disclose annual emissions of CO2 or other GHG.	
	4.12 Does the company establish energy conservation and carbon reduction, GHG reduction, water consumption reduction or other waste management policy?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.13 Has the company received ISO 14001, ISO 50001 or similar environmental or energy management system certification?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.15 Does the company website or Annual Report disclose the ethical management policy it has established, specifies the practices and plans for prevention of dishonest conducts?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	
	4.17 Does the company establish supplier management policy, require collaboration with suppliers over compliance to relevant environmental, safety, or health standards, and aim to collective enhance CSR, and disclose such policy on its corporate website or CSR Report?		No	Currently, the Company does not have sufficient internal or external resources to achieve this goal.	

(IV) Composition, duties, and operations of the Remuneration Committee:

1. Composition of the Remuneration Committee: upon resolution from the Board meeting on November 9, 2017, the Company has appointed Independent Director Liu Tian Dao, Independent Director Wei Tsung Te, and Mr. Hsu Ming Yang as members of the 2nd term of the Remuneration Committee, and nominated Independent Director Liu Tian Dao to serve as the Convener and Chair of the Remuneration Committee. Information on committee members is as follows:

Identity (Note 1)	Conditions / Name	Has more than 5 years of work experience and the following professional qualifications			Complies with terms for independence (Note 2)								Number of other public companies where the individual concurrently serves as a member of the Remuneration Committee	Remark (Note 3) End of this document
		Instructor or above in public/private university /college in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	A judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in business administration, law, finance, accounting, or another discipline relevant to the Company's operations	1	2	3	4	5	6	7	8		
Independent Director	Liu Tian Dao	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not an ordinary Director
Independent Director	Wei Tsung Te	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	0	Not an ordinary Director
Other	Hsu Ming Yang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not an ordinary Director

Note 1: Please write either Director, Independent Director or Other in this column.

Note 2: For any committee member who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [ü] sign in the field next to the corresponding conditions.✓

(1) Not employed by the Company or its affiliated companies.

(2) Not serving as a Director or Supervisor of the Company or any of its affiliates. This does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established in pursuant to this law or local laws.

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, second-degree relative, or direct, blood-related third-degree relative of the personnel listed in the first three criterion.

(5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company.

(7) Not a professional individual or owner, partner, Director (member of the governing board), Supervisor (member of the supervisory board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated

business.

(8) No condition defined in Article 30 of the Company Law has appeared.

Note 3: If the member is a Director, please specify whether the member meets provisions provided by Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

2. Duties of the Remuneration Committee: Pursuant to Article 7 of the Company's "Remuneration Committee Charter," the Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.
   (1) Establishing and periodically reviewing the annual and long-term performance goals for the Directors, Supervisors, and managerial officers of the Company and the policies, systems, standards, and structure for their compensation.
   (2) Establishing and periodically reviewing the compensations for Directors, Supervisors, and managerial officers.

3. Operations of the Remuneration Committee:
   (1) The Company's Remuneration Committee consists of three (3) members.
   (2) Term of office of the current Committee: from November 9, 2017 to June 22, 2020. In the most recent year (2018) and in 2019 as of the publication of this Annual Report, the Remuneration Committee has convened 2 and 1 meetings, respectively. Hence, in the most recent year the Remuneration Committee has convened 3 meetings (A), and qualifications and attendance of its members are as follow:

Title	Name	Number of attendance in person (B)	Times of proxy attendance	Actual attendance rate (%) (B/A) (Note)	Remark
Convener	Liu Tian Dao	3	0	100.00%	Re-appointed, date of re-election: June 23, 2017
Member	Wei Tsung Te	3	0	100.00%	Re-appointed, date of re-election: June 23, 2017
Member	Hsu Ming Yang	2	0	66.67%	Re-appointed, date of re-election: June 23, 2017
Other required disclosure: I. If the Board of Directors chooses not to adopt suggestions proposed by the Remuneration Committee, the date of the Board meeting, session, contents discussed, resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail: None. II. For the decisions made by the Remuneration Committee, if there are documented records of members who veto or withhold from expressing the comment, the date, term, agenda, all members' comments, and the measures for handling these comments shall be elaborated: None.					

Note 1: Where members of the Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated using the number of Salary and Remuneration Committee meetings convened and actual presence during the term of service.

Note 2: When an election is held for the Remuneration Committee before end of the year, members of both the new and old committee shall be listed in separate columns and noted as new, old or re-elected members, along with the elected date, in the "Remark" column. Actual attendance rate (%) is calculated based on the number of meetings convened during the term of office of a member of the Remuneration Committee and his/her actual attendance.

(V) Enforcement of Social Responsibility

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
I. Implementing corporate governance (I) Does the company have a corporate social responsibility policy and evaluate its implementation? (II) Does the company hold regular CSR training? (III) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of Directors? (IV) Has the company established a fair compensation policy and linked employee performance evaluation with CSR policy, as well as established a precise and effective incentive and disincentive system?	Yes Yes Yes Yes		(I) The "Corporate Social Responsibility Best Practice Principles" has been established to assist the Company in fulfilling CSR in practice. (II) The Company organizes CSR training and promotions from time to time to help employees to achieve further understanding of social responsibility. (III) In terms of functions by department, the Company's Administrative Department is involved in CSR tasks, and is responsible for coordinating and planning promotions of CSR such as donations and environmental protection tasks. Subsequently, relevant departments and units will carry out the relevant actions and report their implementation results to the Board of Directors from time to time. (IV) CSR and business ethics are items that will be evaluated on the Company's employee performance evaluation. In addition, the Company's "Employee Work Rules" have already stipulated an incentive and disincentive system regarding business ethics.	No major deviations. No major deviations. No major deviations. No major deviations.
II. Environmentally sustainable development (I) Is the company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (II) Has the company set an environmental management system designed to fit the characteristics of its industry? (III) Does the company monitor the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	Yes Yes Yes		(I) In response to paperless procedures, the Company has enhanced operational efficiency and continued to promote online-based platform for its purchases. Systematic implementation has been adopted to replace paper-based documents between front and backend, and the Company also plans to launch e-receipts. (II) The Company operates in the drugstore retail channel and does not have production processes which produce pollutants such as wastewater or gases. Hence, the Company's actions toward environmental protection are decent. (III) Most of the GHG gases produced by the Company's primary operational sites are from lighting and air conditioning. The Company's policy requires staff at stores to timely adjust the temperature and on/off of AC and to install inverter AC and to utilize fans to conserve energy. In terms of lighting, the	No major deviations. No major deviations. No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
			Company is gradually replacing existing lights with T5 lamps to reduce carbon emissions, and purchasing of relevant operational equipment will be focused on products that have eco-friendly and energy conservation marks to reduce the impacts of climate change on operating activities.	
III. Contributing to social welfare				
(I) Has the company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?	Yes		(I) The Company has established the "Employee Work Rules" and relevant HR Management Regulations pursuant to the Labor Standards Act. To protect employees' rights and to respect internationally-recognized basic labor and human rights, the Company has established appropriate management methods and procedures to avoid any occurrence of hazards which may infringe the basic rights of workers. In addition, the Company's recruitment policy is based on the Act of Gender Equality in Employment and provides a work environment that is fair, equal, and free from discrimination or harassment to its workers.	No major deviations.
(II) Has the company established employee appeal system and channels, and are employee appeals handled appropriately?	Yes		(II) The Company's employees may access designated departments to handle relevant tasks through multiple channels or to reflect or provide feedback to various levels of the management and HR department.	No major deviations.
(III) Does the company provide a safe and health work environment for its employees and regularly implement safety and health education for employees?	Yes		(III) The Company regularly conducts employee health checkup to ensure employee health and well-being.	No major deviations.
(IV) Has the company installed a periodic communications mechanism, and alerts operational changes that may pose significant impacts on its employees in a fair manner?	Yes		(IV) The Company establishes regular channels of communication with employees through monthly meeting, announcements, and departmental meetings, so that employees may receive information and express their opinions on the management activities and decisions of the Company. The Company will also use the aforementioned methods to advocate operational changes which may lead to material impacts to the employees.	No major deviations.
(V) Has the company established an effective competency development career training program for employees?	Yes		(V) The Company values employee training and development. The Company invests sufficient resources to cultivate employees to provide clear career development blueprints for them. Upon the arrival of a new employee, the Company immediately provides training plan, which explains about the Company's business objectives, CSR philosophies and relevant policies.	No major deviations.
(VI) Has the company established relevant policies and systems of appeal for consumer rights for the processes of research and development, purchasing, production, operations, and services?	Yes			No major deviations.
(VII) With regard to marketing and labeling of products and services, does the Company comply with related regulations and international standards?				No major deviations.
(VIII) Does the company evaluate suppliers' past records on environmental impacts before transacting with suppliers?				No major deviations.
(IX) Does the company's contracts with its major suppliers include clauses to terminate the contract at any time should the supplier violate its CSR policy, and poses material influences on the environment and the society?				No major deviations.

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
			Subsequently, training courses are also conducted based on individual functional needs. (VI) The Company adopts membership system, and relevant consumer rights policies have been clearly stated on the membership application pamphlet, and contents of which are in compliance with legal regulations. In addition, promotional activities are also announced on the Company website and flyers. In case of consumer dispute, consumers can submit grievances to our toll-free hotline at 0800-678-222 and customer mailbox. (VII) The Company's marketing and labeling for products and services are in compliance with relevant laws and standards of the industry. (VIII) Before transacting with suppliers, the Company takes past records of whether said suppliers have posed impacts on the environment and the society into consideration as references in whether to purchase from certain suppliers first. (IX) The Company's contracts with its major suppliers do not specifically include clauses to terminate the contract at any time should the supplier violate its CSR policy, and poses material influences on the environment and the society. Nevertheless, if such circumstances occur, the Company will choose never to carry out business transactions with suppliers who do not value CSR.	
IV. Strengthening information disclosure (I) Doe the company disclose relevant and reliable CSR information on its website and the MOPS?	Yes		(I) The Company discloses relevant and reliable CSR information on the MOPS and the Company's Annual Report and prospectus.	No major deviations.
V. If the company has established its Corporate Social Responsibility Best Practice Principles according to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," please describe the operational status and any deviations: the Company has established a set of "Corporate Social Responsibility Best Practice Principles," and no material deviation is found between current practices and the Principles.				
VI. Other information to facilitate better understanding of the company's implementation of corporate social responsibility: 1. Environmental protection: The Company operates as a medical/pharmaceutical products retail channel and does not have production processes; hence, the Company does not lead to environmental pollution. 2. Social participation, social contribution, community service and social welfare: The Company participates in various educational, social, and cultural activities through				

Items for evaluation	State of Operations			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons
	Yes	No	Summary	
donating to social welfare groups, fulfilling our corporate social responsibility. ➢ In 2018, we sponsored Long-Ma Baseball and Softball Association to organize sports activities. ➢ In 2018, the Company's Hualien Store donated disaster relief toward the Hualien earthquake. ➢ In 2018, the Company donated toward the Mother's Day event of Taoyuan City Genki Youth Volunteer Association. ➢ In 2018, the Company contributed toward Luzhu District Volunteer Firemen Office of Taoyuan to replace worn equipment. ➢ In 2018, pharmacists and staff from Zhudong Store continued to care for the needs from residents of remote areas, and organized various health inspection and drug safety promotional activities at Wufeng and Ermei areas. ➢ In 2018, the Company collaborated with Chyau Lian Art and Culture Foundation to invite children from disadvantaged families to watch movies. ➢ During each summer and winter break, internship program for Pharmacy majors from various colleges and universities is organized, building a seamless transition for students from internship, employment to entrepreneurship. ➢ Health seminars and mothers' workshops are organized in collaboration with suppliers in each year so that employees and consumers can both receive professional health care information. 3. Consumer rights: The Company has a designated toll-free 0800 customer hotline in charge of receiving customer complaints. 4. Human rights: The Company's employees receive equal treatments in all aspects including gender, religion, and political inclination. In addition, the Company also provides a fair work environment, ensuring employees are free from discrimination and harassment. 5. Safety and health: The Company complies with labor safety and health laws from the government and carries out various health and safety tasks. Relevant details are established in the "Worker Safety and Health Work Rules."				
VII. Other information regarding "Corporate Social Responsibility Report" which are verified by a certification body: None.				

(VI) Enforcement of Ethical Corporate Management

Item	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons
	Yes	No	Summary	
I. Establishment of Corporate Conduct and Ethics Policy and implementation measures				
(I) Has the Company clearly shown its ethical operational policy and methods in its regulations and external documents, in addition, and has the Board of Directors and management proactively implemented the commitment to ethical business operations in practice?	Yes		(I) The Company's highest level of management sees ethical management as a guiding principle, and corporate management is carried out to maximize the greatest interest for shareholders and employees. The Company has established a set of "Procedures for Ethical Management and Guidelines for Conduct," which clearly states the ethical corporate management policy. The Human Resource Department is in charge of establishing and supervising the implementation of the ethical corporate management policy and preventive measures, and regularly reports to the Board of Directors.	No major deviations.
(II) Has the Company set a plan to forestall unethical conduct, clearly prescribed procedures/best practices/disciplinary actions and reporting systems for violations in plans, and implemented the plans accordingly?	Yes		(II) Preventions of unethical conduct have been included in the aforementioned Procedures; moreover, internal control mechanism and internal audit procedures also encompass preventive measures against unethical conduct to ensure effective prevention and discovery of corruption.	No major deviations.
(III) Does the company establish appropriate compliance measures for the business activities prescribed in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and any other such activities associated with high risk of unethical conduct?	Yes		(III) This is carried out in accordance with the Company's "Procedures for Ethical Management and Guidelines for Conduct." The Procedures also clearly states that the Company and its Directors, Supervisors, managerial officers and employees are banned from bribery and accepting bribes as well as prohibited from provision of illegal political contributions.	No major deviations.
II. Implementing integrity operation				
(I) Has the company assessed the integrity records of its transaction counterparties, and specified ethical business policy in contracts with them?	Yes		(I) Before transacting with dealers, suppliers, or customers and other counterparties, the Company will take their legality and whether records of unethical conduct exist into consideration, and also includes ethical conduct as a contractual clause.	No major deviations.
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of ethical management?	Yes		(II) The Company has set up "Procedures for Ethical Management and Guidelines for Conduct" and designates the HR Department to be in charge in relevant procedures to ethical management including amendments, implementations, consultation and educational training. Implementation results are regularly compiled and reported to the Board of Directors.	No major deviations.
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	Yes			No major deviations.
(IV) To implement relevant policies on ethical conduct, does the company establish effective accounting			(III) The Company has established Employee Work Rules and bans employees from using their work-related rights and opportunities to	No major deviations.

Item	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons
	Yes	No	Summary	
policy and internal control systems that are periodically audited by the internal auditors or CPA? (V) Does the company regularly organize internal and external training geared towards ethical business conduct?			request for monetary bribery or other inappropriate interests to prevent unethical conduct. While transacting with stakeholders, terms and conditions of the transaction may not be better than transactions with other similar counterparties. The Company also provides fluent channels of communication, and employees can provide feedback to each level of the management and the HR department through various channels. (IV) The Company has established rigorous accounting system and designated accounting department. All financial statements are audited or reviewed by CPA to ensure the fairness of financial statements. The amount of each transaction is submitted to a delegated level of authority for approval, complying with relevant laws and internal processing procedures. (V) To promote and advocate for ethical conduct, the Company conducts educational training for "Ethical Corporate Management Principles" during monthly meetings, announcements, and departmental meetings, and relevant regulations have been uploaded to the Company website, allowing employees to access at any time.	No major deviations.
III. Operations of the whistleblowing channel (I) Does the company establish a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel? (II) Does the company establish standard investigation operation and procedure for whistleblowing matters and relevant protective mechanisms? (III) Does the company adopt proper measures to prevent a whistleblower from retaliation for his/her filing a complaint?	Yes Yes Yes		(I) Based on the materiality of the whistleblowing incident, the Company will give incentives to the whistleblower, and an independent whistleblowing mailbox and hotline have been set up within the Company. Employees may access designated departments to handle relevant tasks through multiple channels or to reflect or provide feedback to various levels of the management and HR department. (II) Pursuant to the Company's "Procedures for Ethical Management and Guidelines for Conduct," the Company will keep the whistleblowers' identity and contents of information confidential. A whistleblower shall at least furnish the following information: I. The whistleblower's name and I.D. number, and an address, telephone number and e-mail address where it can be reached. II. The informed party's name or other information sufficient to distinguish its identifying features. III. Specific facts available for investigation.	No major deviations. No major deviations. No major deviations.

Item	State of Operations			Implementation of Ethical Corporate Management and the Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," and Reasons
	Yes	No	Summary	
			(III) The Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.	
IV. Strengthening information disclosure (I) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the MOPS?	Yes		(I) To build a corporate culture of ethical corporate management and to promote sound development, the "Procedures for Ethical Management and Guidelines for Conduct" has been approved by the Board of Directors and implemented. In addition, the Company discloses its information on the MOPS on a timely, open, and transparent basis.	No major deviations.
V. If the company has established corporate governance policies based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the policies and their implementation: The Company has established "Procedures for Ethical Management and Guidelines for Conduct," and no material deviation is found between actual implementations and the Procedures.				
VI. Other important information that facilitate the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles): 1. Compliance to public and legal departments: The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/TPEx listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management. 2. Fulfillment of ethical transaction responsibility to customers and suppliers: the Company has always been grateful to customers and respects suppliers. All business transactions are carried out in a fair and transparent manner, providing customers or suppliers with fair and reasonable benefits and results, thus creating synergistic growth. 3. Fulfillment of ethical management responsibility to shareholders: the Company treats shareholders with care and loyalty, and fully discloses accurate information on a timely basis and creates the greatest value for all shareholders through robust and sound management practices. 4. Prevention of unethical conduct from Directors, Supervisors, managerial officers or employees: The Company has established "Management Procedures to Prevent Insider Trading," "Rules of Procedure for Board of Directors Meetings," "Procedures for Ethical Management and Guidelines for Conduct," and "Codes of Ethical Conduct" on top of internal control system. In addition, the Company also regularly conducts educational training and character and ethical evaluation for employees so that Directors, Supervisors, managers, or staff may faithfully carry out their obligations and to prevent any direct or indirect of provision, commitment, request or acceptance of any form of inappropriate interests including rebates, commissions, facilitation fees, or provision or acceptance of undue benefits through other means from/to customers, dealers, contractors, suppliers, public officials or other stakeholders.				

(VII) In case a code of corporate governance or relevant regulations have been established, a company shall disclose the method to inquire such principles: Please see the MOPS for details (http://newmops.tse.com.tw/corporategovernance).

(VIII) Other material information that can enhance the understanding of the state of corporate governance at the Company:

1. Procedures for Handling Material Inside Information: The Company has established "Management Procedures to Prevent Insider Trading," "Procedures for Ethical Management and Guidelines for Conduct," and "Codes of Ethical Conduct" as the principles that all the Company's Directors, Supervisors, managers, and employees shall comply with. These rules clearly state the laws, articles, and regulations that the Company's Directors, Supervisors, managers, and staff shall comply with, including laws on insider trading.

(IX) Implementation of Internal Control System

1. Statement on Internal Control

Great Tree Pharmacy Co., Ltd.
Statement on Internal Control

Date: March 28, 2019

Pursuant to self-evaluation results, the Company will make the following statement regarding the Company's internal control system from January 1, 2018 to December 31, 2018:

I. Great Tree has clearly stipulated that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Company's Board of Directors and managers, and the Company has established the internal control system (ICS). Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each constituent element includes a number of categories. Please see rules from the "Regulations" for details on the aforementioned categories.

IV. The Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.

V. Based on the findings of such evaluation, the Company believes that, as of December 31, 2018, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This Statement is an integral part of the Company's Annual Report for the year 2018 and

Prospectus, and is publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. We hereby declare that this Statement has been approved by the Board of Directors on March 28, 2019. Amongst the 5 Directors present in the meeting, none held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

Great Tree Pharmacy Co., Ltd.

Chairman: (signed or sealed)

General Manager: (signed or sealed)

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: None.

(X) From the most recent fiscal year up to the publication of the Annual Report, explain the circumstances in which the Company and its personnel have been punished by law, the disincentives measures put in place for breaching the internal control system, and any material deficiencies and revisions: None.

(XI) Material resolutions made in/by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the date of publication of this Annual Report:

1. Material resolutions from the Shareholders' Meeting and implementations:

Year	Name	Content of proposal	Resolution and status of implementation
2018.06.29	Annual Shareholders' Meeting 2018	I. Management Presentation (I) The Company's 2017 Business Report. (II) The Company's 2017 Supervisors' Audit Report. (III) The Company's 2017 Distribution of Employee Compensation and Remunerations of the Directors and Supervisors.	Proposal passed without dissent. Announced to the competent authority and disclosed to the public.
		II. Proposals (I) The Company's 2017 Business Report and Financial Statements. (II) The Company's 2017 Appropriation of Net Income.	Proposal passed without dissent. The Board of Directors' meeting on August 9, 2018 has set September 12, 2018 as the ex-dividend date, and cash dividends were to be distributed on October 9, 2018. Both have been implemented accordingly.
		III. Discussions Proposal for a new share issue through capitalization of earnings.	Passed without dissent. Share dividends of NT$30,501,450 (NT$1.00 per share) of appropriation of net income in 2017 was approved by the competent authority, and has been directly transferred to the accounts of each shareholder by on October 9, 2018 by the Taiwan Depository & Clearing Corporation (TDCC), and transaction of Company shares began on the TPEx on the same day.

2. Material resolutions from the Board of Directors' meetings in 2018 and up to the date of publication of this Annual Report: in 2018 and as of the date of publication of this Annual Report, the Company has convened eight (8) Board meetings with the following material solutions:

Year	Name	Material resolution	Resolution and status of implementation
2018.03.09	5th Meeting from the 2nd term of the Board of Directors	1. Approved the independence of the Company's CPA. 2. Approved the Company's 2017 Distribution of Employee Compensation and Remunerations of the Directors and Supervisors. 3. Approved the Company's 2017 Business Report and Financial Statements.	1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent. 5. Proposal passed without dissent. 6. Proposal passed without dissent. 7. Proposal passed without dissent. 8. Proposal passed without dissent. 9. Proposal passed without dissent.

		4. Approved the Company's 2017 Appropriation of Net Income. 5. Approved the Company's proposal for a new share issue through capitalization of earnings. 6. Approved the Company's 2017 Statement of Internal Control. 7. Approved the plan and timeline for adoption of IFRS 16. 8. Approved the Company's proposal to raise capital by issuance of new shares and issuance of the first domestic unsecured convertible bonds. 9. Approved tasks related to calling the Annual Shareholders' Meeting 2018.	
2018.05.11	6th Meeting from the 2nd term of the Board of Directors	1. Reported the completion of the Company's Q1 2018 Consolidated Financial Statements and the presentation of the statements along with the Q1 2018 Review Report from CPA Lo Hsiao Chin and CPA Cheng Ching Piao from Ernst & Young Taiwan. 2. Reported that the no shareholders holding 1% or more of the Company's shares had proposed proposals for the Shareholders' Meeting during the proposal reception period after the Company announced the reception of shareholder proposals on March 9, 2018 pursuant to Article 172-1 of the Company Act.	No proposal was presented at this meeting.
2018.06.29	7th Meeting from the 2nd term of the Board of Directors.	1. Approved the Company's 2018 capital increase and issuance of employee stock subscriptions. 2. Approved the Company's 2017 Remunerations of the Directors and Supervisors.	1.Proposal passed without dissent. 2.Proposal passed without dissent.
2018.08.15	8th Meeting from the 2nd term of the Board of Directors.	1. Approved the Company's 2018 Q2 Consolidated Financial Statements. 2. Established the dates for issuance of new shares from reinvestment of surplus and ex-dividend date.	1. Proposal passed without dissent. 2. Proposal passed without dissent.
2018.11.08	9th Meeting from the 2nd term of the Board of Directors.	1. Approved the establishment of the Company's "Accounting System", "Internal Control System for Property, Plant and Equipment", "Guidelines on Implementation of Internal Audit", and "Management Method of Financial and Non-Financial Information." 2. Approved the Company's 2019 Annual Audit Plan.	1.Proposal passed without dissent. 2.Proposal passed without dissent.
2018.12.21	10th Meeting from the 2nd term of the Board of	1. Approved the Company's 2019 annual budget. 2. Reviewed the year-end performance bonus for Company managers.	1. Proposal passed without dissent. 2.After stakeholders (General Manager Cheng Ming Lung, Assistant Manager Wu Shu Yi from Finance Department and Chief Auditor Huang Shu Yi) sought for

	Directors.	3. Approved the revisions to certain articles of the "Procedures for Acquisition and Disposal of Assets." 4. Approved the Company's proposed participation in Ivy Biotechnology Co., Ltd.'s capital increase.	recusal, the proposal was approved by all remaining Directors in attendance without dissent. 3.Proposal passed without dissent. 4.Proposal passed without dissent.
2019.01.02	11th Meeting from the 2nd term of the Board of Directors.	Approved the Company's proposal to obtain trademark and transfer of franchise contract of Prohealthcare Franchise from Maywufa Company Limited.	Proposal passed without dissent.
2019.03.28	10th Meeting from the 2nd term of the Board of Directors.	1. Approved the amendments to some of the articles in the Company's "Articles of Incorporation." 2. Approved the independence of the Company's CPA. 3. Approved the Company's 2018 Distribution of Employee Compensation and Remunerations of the Directors and Supervisors. 4. Approved the Company's 2018 Business Report and Financial Statements. 5. Approved the Company's 2018 Appropriation of Net Income. 6. Approved the Company's proposal for a new share issue through capitalization of earnings. 7. Approved the Company's 2018 Statement of Internal Control. 8. Approved the amendments to some of the articles in the Company's "Procedures for Loaning of Funds." 9. Approved the amendments to some of the articles in the Company's "Procedures for Providing Endorsements/Guarantees." 10. Approved the designation of the Company's corporate governance personnel. 11. Approved the Company's 2019 salary adjustments for managers. 12. Approved the amendments to some of the articles in the Company's "Rules of Procedure for Board of Directors Meetings." 13. Approved the amendments to some of the articles in the Company's "Corporate Governance Best Practice Principles." 14. Approved the amendments to some of the articles in the Company's "Self-Evaluation or Peer Evaluation Methods of the Board of Directors." 15. Approved tasks related to calling the Annual Shareholders' Meeting 2019.	1. Proposal passed without dissent. 2. Proposal passed without dissent. 3. Proposal passed without dissent. 4. Proposal passed without dissent. 5. Proposal passed without dissent. 6. Proposal passed without dissent. 7. Proposal passed without dissent. 8. Proposal passed without dissent. 9. Proposal passed without dissent. 10. After stakeholder Assistant Manager Wu Shu Yi from Finance Department sought for recusal, the proposal was approved by all remaining Directors in attendance without dissent. 11. After stakeholders (General Manager Cheng Ming Lung, Assistant Manager Wu Shu Yi from Finance Department and Chief Auditor Huang Shu Yi) sought for recusal, the proposal was approved by all remaining Directors in attendance without dissent. 12. Proposal passed without dissent. 13. Proposal passed without dissent. 14. Proposal passed without dissent. 15. Proposal passed without dissent.

(I)

(XII) In the most recent year and up to the date of publication of the Annual Report, for dissenting opinions from Directors or Supervisors for material resolutions passed by the Board meeting that were recorded or included written statements, please indicate the contents: None.

(XIII) In the most recent fiscal year and up to the date of publication of the Annual Report, a summary of the resignation and dismissal of the Company personnel including Chairman, General Manager, Accounting Managers, Finance Managers, Internal Auditing Managers and R&D Managers: None

V. Information on CPA Professional Fees

Range of compensations for CPA professional fees

Name of accounting firm	Name of CPA		Auditing period	Remark
Ernst & Young	Lo Hsiao Chin	Cheng Ching Piao	2018	

Unit: thousand NTD

Category of fees / Range of the amount		Audit fees	Non-audit fees	Total
1	Less than NT$2,000,000	—	V	—
2	Between NT$2,000,000 (inclusive) to NT$4,000,000	V	—	V

(I) In case non-auditing fees paid to CPA, accounting firm of CPA and its affiliates reaches one-fourth (1/4) of the auditing fees:

Information on professional fees for CPA

Unit: thousand NTD

Name of accounting firm	Name of CPA	Audit fees	Non-audit fees					Auditing period	Remark
			System design	Business registration	Human resources	Others (Note 2)	Sum		
Ernst & Young	Lo Hsiao Chin Cheng Ching Piao	2,700	0	190	0	100	290	January 1, 2018 to December 31, 2018	Others were for processing of convertible bonds

Note 1: Where the Company replaces the CPA or accounting firm, the audit periods of the former and successor CPA or firm shall be annotated separately with the reason for replacement. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.

Note 2: Non-auditing fees should be separately indicated by type of service. If the "others" category in non-auditing fees reaches 25% of the non-auditing fees, the service shall be indicated in the Remarks column.

(II) Where the Company replaces the CPA and the auditing fees paid in the year of the replacement is less than that of the previous year: None.

(III) Auditing fee is 15% or more less than the previous year: None.

VI. Information on Replacement of CPA:

Not applicable.

VII. Where the Company's Chairman, General Manager, or managers from finance or accounting departments who have worked in the CPA's audit firm or its affiliate companies in the last fiscal year: None.

VIII. Conditions of share transfer and changes in equity pledge from the Directors, Supervisors, managers, and shareholders who hold more than 10% of shares, from the past year up to the date of publication of the Annual Report

(I) Share transfer and changes in equity pledge from Directors, Supervisors, managers, and substantial shareholders

Unit: shares

Title	Name	2018		As of April 28, 2019	
		Changes in shares held	Changes in shares pledged	Changes in shares held	Changes in shares pledged
Corporate Director	Jun Wei Investment Co., Ltd (Note 1)	463,890	0	0	0
Representative of the Corporate Director	Liu Yu Teng (Note 1)	11,213	0	0	0
Corporate Director	Zhen Han Investment Co., Ltd (Note 2)	380,931	1,415,000	0	1,000,000
Representative of the Corporate Director and General Manager	Cheng Ming Lung (Note 2)	565,914	0	0	0
Corporate Director	Yuang Ding Investment Co, Ltd (Note 3)	60,905	0	0	0
Representative of the Corporate Director	Shen Li Ping (Note 3)	6,213	0	0	0
Assistant Manager at Finance Department	Wu Shu Yi	20,263	0	0	0
Supervisors	Hsieh Po Chuan (Note 4)	4,555	0	0	0
Supervisors	Liu Shu Liang (Note 5)	91,247	0	0	0
Supervisors	Chen Hung Yi (Note 6)	0	0	0	0
Independent Director	Liu Tian Dao (Note 7)	0	0	0	0
Independent Director	Wei Tsung Te (Note 8)	0	0	0	0

Note 1: Jun Wei Investment Co., Ltd appointed Representative Liu Yu Teng to serve as Director on June 23, 2017, and Jun Wei Investment Co., Ltd is a substantial shareholder holding 10% or more of the Company's shares.

Note 2: Zhen Han Investment Co., Ltd appointed Representative Cheng Ming Lung to serve as Director on June 23, 2017, and Zhen Han Investment Co., Ltd is a substantial shareholder holding 10% or more of the Company's shares.

Note 3: Yuan Ding Investment Co, Ltd was elected as a Corporate Director on June 23, 2017 and appointed natural person representative Shen Li Ping to perform its duties.

Note 4: Hsieh Po Chuan was elected as Supervisor as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 5: Liu Shu Liang was elected as Supervisor as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 6: Chen Hung Yi was elected as Supervisor as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 7: Liu Tian Dao was elected as an Independent Director as a natural person on the Shareholders' Meeting on June 23, 2017.

Note 8: Wei Tsung Te was elected as an Independent Director as a natural person on the Shareholders' Meeting on June 23, 2017.

(II) Information on equity transfer and related parties: None.

(III) Information on equity pledge and related parties: None.

IX. Information on top ten substantial shareholders who are related parties, or having spousal relationship, or familial relationship within the second degree of kinship, with each other

As of book closure date on April 28, 2019

Name (Note 1)	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who have spousal relationship, or familial relationship within the second degree of kinship, with each other (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relation	
Jun Wei Investment Co., Ltd	5,559,057	15.21%	—	—	—	—	Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Person in charge is the same; second-degree relatives of the person in charge of Jun Wei Investment Co., Ltd.	—
Representative of Jun Wei Investment Co., Ltd: Liu Yu Teng	134,378	0.37%	—	—	—	—	Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Person in charge is the same; having second degree of kinship with the person in charge of Jun Wei Investment Co., Ltd.	—
Zhen Han Investment Co., Ltd	4,564,918	12.49%	—	—	—	—	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd.; Person in charge of Hao Cheng Investments Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co, Ltd. Second degree of kinship with the person in charge of Zhen Han Investment Co., Ltd.	—
Representative of Zhen Han Investment Co., Ltd: Cheng Ming Lung	965,717	2.64%	—	—	—	—	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd. Person in charge of Hao Cheng Investments Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co, Ltd. Second degree of kinship with the person in charge of Zhen Han Investment Co., Ltd.	—
Hao Cheng Investments Co., Ltd.	3,185,298	8.71%	—	—	—	—	Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd	Person in charge is the same Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd.	—

Name (Note 1)	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who have spousal relationship, or familial relationship within the second degree of kinship, with each other (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relation	
							Liu Shu Liang	Second degree of kinship with the person in charge of Hao Cheng Investments Co., Ltd.	
Representative of Hao Cheng Investments Co., Ltd: Liu Yu Teng	134,378	0.37%	—	—	—	—	Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd Liu Shu Liang	Person in charge is the same Person in charge of Zhen Han Investment Co., Ltd. is a brother of the person in charge of Hao Cheng Investments Co., Ltd. Second degree of kinship with the person in charge of Hao Cheng Investments Co., Ltd.	—
Dedicated investment account of Matthew Asian Small Business Funds in the custody of HSBC	1,513,414	4.14%	—	—	—	—	—	—	—
Ri-Long Investment Co, Ltd	1,202,819	3.29%	—	—	—	—	Zhen Han Investment Co., Ltd	Person in charge of Zhen Han Investment Co., Ltd. is a spouse of the person in charge of Ri-Long Investment Co, Ltd.	—
Representative of Ri-Long Investment Co, Ltd: Chia-Ling Chan	—	—	965,717	2.64%	—	—	Zhen Han Investment Co., Ltd	Person in charge of Zhen Han Investment Co., Ltd. is a spouse of the person in charge of Ri-Long Investment Co, Ltd.	
Liu Shu Liang	1,093,472	2.99%	40,330	0.11%	—	—	Jun Wei Investment Co., Ltd. Zhen Han Investment Co., Ltd Hao Cheng Investments Co., Ltd.	Second degree of kinship with the person in charge of the company	—
Cheng Ming Lung	965,717	2.64%	—	—	—	—	Jun Wei Investment Co., Ltd. Hao Cheng Investments Co., Ltd. Liu Shu Liang	Person in charge of Jun Wei Investment Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co., Ltd. Person in charge of Hao Cheng Investments Co., Ltd. is a brother of the person in charge of Zhen Han Investment Co, Ltd. Second degree of kinship with the person in charge of Zhen Han Investment Co., Ltd.	—
Dedicated trust account of National Development Fund's investment in service industry in the custody of CTBC Bank	924,461	2.53%	—	—	—	—	—	—	—
Jiu-Ding Investment Co., Ltd.	807,747	2.21%	—	—	—	—	Yuan Ding Investment Co., Ltd.	Affiliates	—
Representative of Jiu-Ding Investment Co., Ltd: Te-Cheng Chiu	—	—	—	—	—	—	None	None	—
Yuang Ding Investment Co, Ltd	729,860	2.00%	—	—	—	—	Jiu-Ding Investment Co., Ltd	Affiliates	—

Name (Note 1)	Shares held in person		Shares held by spouse and minor children		Shares held in others' names		Names and relationships of top ten substantial shareholders who have spousal relationship, or familial relationship within the second degree of kinship, with each other (Note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relation	
Representative of Yuang Ding Investment Co., Ltd: Shen Li Ping	42,438	0.12%	—	—	—	—	None	None	—

Note 1: All the top 10 substantial shareholders shall be listed. For juristic person shareholders, their names and the name of their representatives shall be listed separately.

Note 2: Calculation of shareholding ratio is calculated by shares held by the person, by spouse, by minor children, or under others' names.

Note 3: Relationships between the aforementioned shareholders, including juristic person shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

X. Shares held by the Company, its Directors, Supervisors, managers, and businesses either directly or indirectly controlled by the Company as a result of investment, and the ratio of consolidated shares held

As of April 30, 2019; Unit: shares; %

Reinvestment Business	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Ownership	
(Note)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)	Number of shares	Shareholding Ratio (%)
Ivy Biotechnology Co., Ltd.	5,900,000	100.00	0	0.00	5,900,000	100.00
Bai-Lin Logistics Co., Ltd.	200,000	100.00	0	0.00	200,000	100.00
Da Yu Property Management Co., Ltd.	360,000	60.00	0	0.00	360,000	60.00

Note: Invested by the Company using the equity method

Chapter 4 Funding Status

I. Capital and Shares

(I) Source of Capital

(1) Sources of Share Capital

As of April 30, 2019; (Unit: shares; NT$)

Month, Year	Issued price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of Share Capital	Capital increased by assets other than cash	Other
2001.05	10	300,000	3,000,000	300,000	3,000,000	apital shares at establishment 3,000,000	None	Approved by Letter No. 09032174140 on May 15, 2001
2008.02	10	2,300,000	23,000,000	2,300,000	23,000,000	capital increase 20,000,000	None	Approved by Letter No. 09731695960 on February 4, 2008
2009.01	10	5,000,000	50,000,000	5,000,000	50,000,000	capital increase 27,000,000	None	Approved by Letter No. 09831529450 on January 8, 2009
2010.06	10	7,000,000	70,000,000	7,000,000	70,000,000	capital increase 20,000,000	None	Approved by Letter No. 09932191050 on June 18, 2010
2012.07	10	30,000,000	300,000,000	12,600,000	126,000,000	capital increase 56,000,000	None	Approved by Letter No. 10132319370 on July 30, 2012
2013.11	10	30,000,000	300,000,000	15,000,000	150,000,000	capital increase of NT$24,000,000	None	Approved by Letter No. 10132667050 on November 1, 2012
2013.12	15	30,000,000	300,000,000	18,200,000	182,000,000	capital increase 32,000,000	None	Approved by Letter No. 10234173460 on December 31, 2013
2014.02	52	30,000,000	300,000,000	21,000,000	210,000,000	capital increase 28,000,000	None	Approved by Letter No. 10333130600 on February 26, 2014
2015.09	10	60,000,000	600,000,000	23,100,000	231,000,000	ital increase by reinvestment of surplus 21,000,000	None	Approved by Letter No.10433751990 on September 21, 2015
2016.04	70	60,000,000	600,000,000	25,260,000	252,600,000	capital increase 21,600,000	None	Approved by Letter No. 10533399230 on April 13, 2016
2016.09	10	60,000,000	600,000,000	26,523,000	265,230,000	ital increase by reinvestment of surplus 12,630,000	None	Approved by Letter No. 10590810030 on September 29, 2016
2017.09	10	60,000,000	600,000,000	30,501,450	305,014,500	ital increase by reinvestment of surplus 39,784,500	None	Approved by Letter No. 10690989610 on September 12, 2017
2018.07	62	60,000,000	600,000,000	33,501,450	335,014,500	capital increase 30,000,000	None	Approved by Letter No. 10790931690 on July 25, 2018
2018.09	10	60,000,000	600,000,000	36,551,595	365,515,950	ital increase by reinvestment of surplus 30,501,450	None	Approved by Letter No. 10790998180 on September 18, 2018
Remarks: the month and year indicated in this table are based on the time when authorization is granted from the Ministry of Economic Affairs								

(2) Types of shares issued

As of April 28, 2019; Unit: shares

Shares / Type	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	Total shares on the TPEx 36,551,595	23,448,405	60,000,000	-

Note: marketable securities issued by shelf registration system as authorized: None.

(II) Shareholder Structure

As of book closure date on April 28, 2019

Shareholder structure / Amount	Government institution	Financial institution	Other legal persons	Foreign institutions and foreigners	Individuals	Total
Number of persons	-	5	19	5	2,281	2,310
Number of shares held	-	1,355,780	17,114,183	1,660,429	16,421,203	36,551,595
Shareholding ratio (%)	-	3.71	46.82	4.54	44.93	100.00

Note: TWSE/TPEx listed companies should disclose its ratio of investments from Mainland China; investments from Mainland China refer to people, judicial persons, groups, other institutions, or companies investing via another region from Mainland China who invests in Taiwan pursuant to the "Rules of Investment in Taiwan from Persons from Mainland China."

(III) Dispersion of Equity Ownership

As of book closure date on April 28, 2019

Class of shareholding	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999 shares	575	108,884	0.30%
1,000 to 5,000	1,280	2,375,897	6.50%
5,000 to 10,000	195	1,367,596	3.74%
10,001 to 15,000	67	815,445	2.23%
15,001 to 20,000	32	564,173	1.54%
20,001 to 30,000	47	1,129,011	3.09%
30,001 to 40,000	25	885,073	2.42%
40,001 to 50,000	19	829,853	2.27%
50,001 to 100,000	32	2,317,519	6.34%
100,001 to 200,000	19	2,452,811	6.71%
200,001 to 400,000	6	1,677,165	4.59%
400,001 to 600,000	2	880,784	2.41%
600,001 to 800,000	2	1,330,481	3.64%
800,001 to 1,000,000	3	2,697,925	7.38%
1,000,001 to 999,999,999	6	17,118,978	46.84%
Total	2,310	36,551,595	100.00%

(IV) List of Substantial Shareholders

As of book closure date on April 28, 2019

Types of / List of Substantial Shareholders	Number of shares held (shares)	Shareholding ratio (%)
Jun Wei Investment Co., Ltd	5,559,057	15.21
Zhen Han Investment Co., Ltd	4,564,918	12.49
Hao Cheng Investments Co., Ltd.	3,185,298	8.71
Dedicated investment account of Matthew Asian Small Business Funds in the custody of HSBC	1,513,414	4.14
Ri-Long Investment Co, Ltd	1,202,819	3.29
Liu Shu Liang	1,093,472	2.99
Cheng Ming Lung	965,717	2.64
Dedicated trust account of National Development Fund's investment in service industry in the custody of CTBC Bank	924,461	2.53
Jiu-Ding Investment Co., Ltd.	807,747	2.21
Yuang Ding Investment Co, Ltd	729,860	2.00

(V) Market price per share, net value, net income, dividend, and other relevant information in the past two years up to the date of publication of the Annual Report

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Item / Year			2017	2018	As of April 30, 2018 (Note 8)
Market price per share (Note 1)	Highest		104.00	95.50	80.50
	Lowest		77.60	59.50	59.50
	Average		89.72	77.83	73.32
Market price Net value	Before distribution		26.38	28.77	27.85
	After distribution (Note 2)		20.51	(Note 9)	-
Market price per share	Weighted Average Shares (thousand shares)		33,552	35,272	36,552
	Earnings per share (EPS)	Before adjustment	3.36	3.01	0.70
		After adjustment (Note 3)	3.05	(Note 9)	-
Market price per share	Cash dividends		1.8	1.3(Note 9)	-
	Stock grant	Dividend from surplus	1.0	1.3 (Note 9)	-
		Dividend for paid-in capital	-	(Note 9)	-
	Accumulated dividend not paid out (note 4)		-	-	-
Return on Investments	Price-to-earnings ratio (Note 5)		26.70	25.86	-
	Price/dividend ratio (Note 6)		49.84	59.87	-
	Cash dividend yield (Note 7)		2.01	1.67%	-

＊ In case dividend is distributed from reinvestment of surplus or paid-in capital, the retroactive adjustment of shares based on the distributions and cash dividends should be disclosed.

Note 1: the annual maximum and minimum market value of common stock. The annual average market value is calculated based on each year's transaction value and quantity.

Note 2: Please fill this column based on the number of shares issued by the end of the year and distributions as approved by the Shareholders' Meeting in the following year.

Note 3: In case stock dividends or other conditions require retroactive adjustments, the EPS before and after adjustments should be included.

Note 4: If the conditions of equity securities issuance allow unpaid dividends to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up

to that year.

Note 5: P/E Ratio = Average closing price for each share in the year/earnings per share

Note 6: Price/Dividend ratio = Average closing price per share of the year/Cash dividends per share

Note 7: Cash dividend yield = cash dividend per share / current year average per share closing price.

Note 8: the per-share net value and earnings per share should be filled up to the quarter nearest to the date of the printing of the annual report to be audited by accountant; the remaining column should be filled with the annual data up to the date of publication of the annual report.

Note 9: the Company's Appropriation of Net Income has been approved by the Board meeting on March 29, 2019, and is pending a resolution from the Shareholders' Meeting to be convened on June 26, 2019.

(VI) Dividend policy of the company and its implementation

1. Dividend policy stipulated in the Articles of Incorporation

If the Company turns a profit for the fiscal year, an amount no less than 3% to 10% of the profit should be appropriated as employees' bonus and no more than 3% of the profit should be appropriated as Directors' compensation. However, if the Company still records a cumulative loss, its profit shall first be used to make up the loss. The counterparty to whom stocks or cash are distributed to as employee's compensation in the preceding paragraph includes the employees of its subordinate companies that meet certain criteria.

The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the Board of Directors and approved by the Shareholders' Meeting.

In response to economic fluctuations and to maintain a robust financial structure, the Company adopts balanced dividend policy, and the policy for future dividend distribution is as follow:

(1) No less than 10% of the distributable earnings will be appropriated as shareholders' dividends and bonuses. Nevertheless, in case the distributable earnings is less than 10% of paid-in capital, the Company may choose not to distribute dividends.

(2) In consideration of a balanced and stable dividend policy, the Company will adequately adopt either share dividends or cash dividends based on investment capital needs and the levels of dilution on the earnings per share (EPS), provided that the cash dividends shall be no less than 10% of the total dividends.

2. Proposed dividend distribution for the year (2018)

The 2018 appropriation of net income has been approved by the Board of Directors' meeting on March 28, 2019. However, a resolution from the 2019 Shareholders' Meeting is still pending, and the following is the resolution regarding appropriation of net income from the Board:

Unit: NT$

Item	Amount
Beginning retained earnings	$95,535,424
Less: other comprehensive income (remeasurement of defined benefit plan)	(336,854)
Add: 2018 after-tax net profits	106,002,288
Less: appropriation of legal capital reserve	(10,600,229)
Retained earnings available for distribution for this period	190,600,629
Allocations	
Shareholders' dividends - cash (NT$1.30 per share)	(47,517,077)
Shareholders' dividends - shares (approximately NT$1.30 per share)	(47,517,070)
	(95,034,147)
Ending retained earnings	$95,566,482

(VII) Effects of proposed stock dividends in this year (2018) on the Company's operating performance and the EPS:

The Company did not disclose financial forecast for 2019. Therefore, the effects of the share dividends proposed for the current Shareholders' Meeting on the Company's operating performance and the EPS is not applicable.

(VIII) Compensation for employees, Directors, and Supervisors

1. Quantity or scope of compensation for employees, Directors, and Supervisors as prescribed under the Articles of Incorporation:

   If the Company turns a profit for the fiscal year, an amount no less than 3% to 10% of the profit should be appropriated as employees' bonus and no more than 3% of the profit should be appropriated as Directors' compensation. However, if the Company still records a cumulative loss, its profit shall first be used to make up the loss.

   The counterparty to whom stocks or cash are distributed to as employee's compensation in the preceding paragraph includes the employees of its subordinate companies that meet certain criteria.

2. Accounting treatment for the basis of estimating the amount of the employees', Director's and Supervisors' compensations for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and for any discrepancy between the actual amount distributed and the estimated figures:

   If the Company turns a profit for the fiscal year, an amount no less than 3% to 10% of the profit should be appropriated as employees' bonus and no more

than 3% of the profit should be appropriated as Directors' compensation. Discrepancy between the actual amount distributed and the estimated figures will be recognized as profit or loss for the following year.

3. Information on allocation of compensations approved by the Board of Directors:
   (1) Employee bonus and Directors' and Supervisors' bonus will be distributed in cash. If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:
   The Company appropriated 3% to 10% from the 2018 net income after tax as employee bonus pursuant to the Company's Articles of Incorporation, and no more than 3% as bonus for Directors and Supervisors. Employee bonus is estimated at NT$4,071,000, while Directors' and Supervisors' bonus is estimated at NT$1,208,000. There is no material discrepancy between the estimates and the proposed distributions approved by the Board of Directors.
   (2) Employee bonus distributed in shares and the ratio of the share bonus on the net income after tax and the total amount of employee bonus: Not applicable since the Company only distributed employee bonus in cash.
4. Actual distribution of compensations for employees, Directors, and Supervisors (including the number, sum, and price of shares distributed) in the last year, and where there were discrepancies with the recognized compensations for employees, Directors, and Supervisors, the difference, cause, and treatment of the discrepancy be described:
   The 2018 Shareholders' Meeting approved the 2017 appropriation of net income, in which employee bonus of NT$3,715,000 and Directors' and Supervisors' bonus of NT$1,102,000 were distributed. No discrepancy was found between the actual distributions and the amounts of distribution approved by the Board of Directors.

(IX) Company share repurchase status: None.

II. Issuance of Corporate Bonds

(I) Issuance of bonds

Type of bond (Note 2)		First domestic unsecured bond (Note 5)
Date of issuance		June 12, 2018
Nominal value		NT$100,000
Place of issuance and transaction (Note 3)		Domestic
Issuance price		Issued at 100% nominal amount
Total		NT$300,000,000
Interest		0%
Duration		3 years, maturing on June 12, 2021
Guarantee agency		Not applicable
Trustee		Trust Department of Taipei Fubon Bank
Underwriter		Fubon Securities Co., Ltd.
Attorney		Charles Ya-Wen Chiu, Handsome Attorneys-at-Law
CPA		Not applicable
Method of redemption		One-time cash repayment at maturity besides conversion or redemption
Principal outstanding		NT$300,000,000
Terms of redemption or early payoff		Please see Articles 18-19 on the Company's "Convertible Bond Issuance and Conversion Method"
Restrictive covenants (Note 4)		None
Name of credit rating agency, date of rating, and result of corporate bond rating		Not applicable
Other rights	Amount of ordinary shares already converted (swapped or warranted) and global/overseas depositary receipts or other negotiable securities up to the date of publication of the Annual Report	As of April 30, 2019, no creditor has exercised the conversion rights for the convertible bonds.
	method of issuance and conversion (swap or warrant)	Not applicable
Possible dilution effects on the equity from issuance and conversion, swap or subscription method, and issuance terms and current shareholders' equity		Not applicable
Name of the commissioned custodian of exchangeable underlyings		Not applicable

Note 1: The handling of corporate bonds includes public and private offering of bonds. Public corporate bonds being processed refer to the ones that will be exercised (approved), and the private corporate bonds being processed refer to the ones that have been approved by a company's Board of Directors.

Note 2: Number of columns can be adjusted based on actual number of processing.

Note 3: Please fill this column if it is an overseas corporate bond.

Note 4: If conditions such as distribution of cash dividends, foreign investments or requirement for maintaining a certain ratio of asset are required.

Note 5: Shares that were traded via private placement should be indicated in a clear manner.

Note 6: For convertible bonds, swappable bonds, bonds issued through shelf registration or bonds with subscription rights shall disclose the information on the convertible bonds, swappable bonds, status of shelf registration and subscription rights based on the nature of the bond.

(II) Processing of information on convertible bonds

Type of bond		First domestic unsecured bond		
Year; item		2017	2018	Current year of to April 30, 2019
Market price of convertible corporate bond	Highest	-	(Note 1)	(Note 1)
	Lowest	-	(Note 1)	(Note 1)
	Average	-	(Note 1)	(Note 1)
Price of conversion		-	(Note 2)	NT$79.80
Date of issuance and conversion price at issuance		-	Issuance date: June 12, 2018; conversion price at issuance: NT$90.80	Issuance date: June 12, 2018; conversion price at issuance: NT$90.80
Fulfillment of conversion obligation		-	Issuance of new shares	Issuance of new shares

Note 1: From June 23, 2018 to April 30, 2019, no shareholder has exercised the conversion rights for the convertible bonds.

Note 2: From June 12, 2018 to July 18, 2018, the conversion price was NT$90.80; from July 19, 2018 to September 11, 2018, the conversion price was NT$88.90; and from September 12, 2018 to December 31, 2018, the conversion price was NT$79.80.

(III) Information on swappable bonds: None.

(IV) Information on bonds issued through shelf registration: None.

(V) Information regarding corporate bond with attached warrant: None.

III. Preferred Stocks: None.

IV. Handling of Overseas Depository Receipt: None.

V. Handling of Employee Stock Subscription Rights:

(I) Handling of employee stock subscription rights: As of April 30, 2019

Type of employee stock option (Note 2)	First (term 1) employee stock option (Note 5)	First (term 2) employee stock option (Note 5)
Effective date	103.09.12	103.09.12
Issuance (processing) date (Note 4)	103.10.01	103.11.01
Units issued	835 (1,000 shares can be subscribed for every 1 unit)	113 (1,000 shares can be subscribed for every 1 unit)
Ratio of issued subscriptions on the total number of shares issued	2.28%	0.31%
Duration of the stock options	5 years	5 years
Fulfillment method (Note 3)	Issuance of new shares	Issuance of new shares
Restricted subscription duration and ratio (%)	Stock subscription period 30% can be exercised in 2 years, 60% can be exercised in 3 years, 100% can be exercised in 4 years.	Stock subscription period 30% can be exercised in 2 years, 60% can be exercised in 3 years, 100% can be exercised in 4 years.
Number of shares acquired	0 shares	0 shares
Monetary amount of stock subscription acquired	NT$0	NT$0
Stock subscriptions yet to be exercised	416,000 shares	113,000 shares
Subscription price per share for stock subscriptions yet to be exercised	NT$32.91 per share	NT$32.91 per share
Percentage of subscriptions yet to be exercised on the total number of shares issued (%)	1.14%	0.31%
Effects on shareholders' equity	Impact of dilution on the existing shareholders of ordinary shares is limited	Impact of dilution on the existing shareholders of ordinary shares is limited

Note 1: Handling of employee stock options include public and private offering of employee stock options. Public employee stock options being processed refer to the ones that will be exercised (approved), and the private stock options being processed refer to the ones that have been approved by a company's Board of Directors.

Note 2: Number of columns can be adjusted based on actual number of processing.

Note 3: Indicate the number of shares acquired or the number of new shares to be issued.

Note 4: Those with different issuance dates should be separately filled.

Note 5: Shares that were traded via private placement should be indicated in a clear manner.

(II) Names, acquisition, and subscription of managerial officers who have obtained employee stock warrants as well as employees who rank among the top ten in terms of the number of shares obtained via employee stock options

As of April 30, 2019; Unit: thousand NTD/shares

	Title (Note 1)	Name	Number of employee stock options obtained	Percentage of employee stock options obtained to the total issuance of shares (Note 4)	Executed (Note 2)				Not yet executed (Note 2)			
					Number of shares subscribed	Subscription price (Note 5)	Subscription amount	Percentage of number of shares subscribed on the total issuance of shares (Note 4)	Number of shares subscribed	Subscription price (Note 6)	Subscription amount	Percentage of number of shares subscribed on the total issuance of shares (Note 4)
Manager	General Manager	Cheng Ming Lung	103,000	0.28%	0 shares	NT$0	NT$0	-%	103,000	NT$32.91	3,390	0.28%
	Assistant Manager at Finance Department	Wu Shu Yi										
Employee (Note 3)	Manager at Logistics Department	Hsu Hao	173,000	0.47%	0 shares	NT$0	NT$0	-%	173,000	NT$32.91	5,693	0.47%
	Manager in Store Development Department	Sung Chao Feng										
	Head of Purchasing and Marketing Division	Chen Chi Min										
	Auditing Manager	Huang Shu Yi										
	Supervisor in Operations Department	Wang Pao Feng										
	Head of Purchasing and Marketing Division	Tsao Wen Chi										
	Operations Manager in Subsidiary	Liu Mei Yun										
	Operations Deputy Manager in Subsidiary	Lee Ping Hsiu										
	IT Office Manager, Administrations Department	Hsia Jen Tai										

Note 1: Individual names and positions of managers and employees (please indicate in case of turnover or diseased), but acquisition and subscription may be disclosed as aggregate sum.

Note 2: Number of columns can be adjusted based on actual numbers of issuance.

Note 3: Top 10 employees who have received subscription rights refer to employees other than managers.

Note 4: Number of shares issued refer to the number of shares listed in the registration files of the Ministry of Economic Affairs.

Note 5: Subscription price at the time of subscription shall be disclosed for the employee stock options that have been exercised.

Note 6: For price of employee subscription options yet to be exercised, the Company shall disclose the subscription price calculated based on issuance method after adjustments.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: None.

VIII. Implementation of Budget Decisions: None.

Chapter 5 Operations Overview

I. Company Business

(I) Scope of Business:

1. The Company's business operations encompass the following:

The Company is the first drugstore chain enterprise to have received ISO 9001 certification for the quality management system processes in the head office and in stores throughout Taiwan. The Company has also received the "Good Store Practice (GSP)" certification from the Ministry of Economic Affairs.

In line with the government's policy of separating treatment from medication, the Company has developed a "drugstore cloud-based medical history integration service management system." After many years of actual practice, we have successfully integrated the prescription drug purchasing, supply, and management in drugstores, community clinics, joint clinical centers, and medical communities.

After many years of continuous actual operational growth and performance, our "Great Tree Pharmacy" brand has established the first drugstore management system "GT-POMS" throughout Taiwan. Drugstores that utilize the aforesaid system are found throughout the country by 2014, and the Company has also received the subvention of "Service Industry Innovation Research (SIIR)" from the Ministry of Economic Affairs and established a "cross-platform health management cloud-based app" to provide free professional health and drug-use service to our many members found throughout Taiwan. While strategically planning the online shopping service for healthcare industry in the future and conducting virtual-physical channel integration plan, we also continue to provide broad medical care in our drugstores to enhance competitiveness and to build a comprehensive health care system, securing our leadership position. We aim to satisfy the supply and demand for various types of medical and health care products in drugstores and pharmacies to seize the growing business opportunities in the ageing market.

2. Percentage of revenue

Unit: thousand NTD; %

Item \ Year	2017		2018	
	Amount	Percentage of revenue	Amount	Percentage of revenue
Maternity and infant products	1,670,218	46.09	2,367,529	48.31
Health foods and supplements	740,255	20.43	1,052,852	21.48
National Health Insurance (NHI) prescription drugs	625,852	17.27	744,640	15.19
Health care products	397,785	10.98	534,035	10.90
Other	189,624	5.23	201,673	4.12
Total	3,623,734	100.00	4,900,729	100.00

Data source: financial statements audited and certified by CPA.

3. Current products (services) offered by the Company

The Company's operating model is the sales of maternity and baby products, health foods and supplements, NHI prescription drugs and medical equipment to the public. Currently, the Company's major products include:

By type of product	Lineup
Maternity and infant products	Baby formula, diapers, maternity and baby products
National Health Insurance (NHI) prescription drugs	Prescription medicine
Health foods and supplements	Health foods and supplements
Health care products	Adult supplements and diapers, medical equipment and cosmetic/beauty products
Other	Home products and foods

4. Planning and development of new products (services):

① Innovative services

A. Having received the "Service Industry Innovation Research (SIIR)" from the Ministry of Economic Affairs and established a "cross-platform health management cloud-based app," the Company will enhance interactive health management with consumers and expand the types of health care products needed by consumers and brand reliance, paving the way to e-commerce services in Taiwan.

B. After the Company successfully collaborated with Family Mart to open the "Family Mart x Great Tree Pharmacy," we will expand the number of collaboration stores in the future to build comprehensive new store models which integrate health retail, drug management, and living goods. This will also help us to pave the way to e-commerce and helping to provide a complete online and offline (O2O) integrated support.

C. Since September 2015, the Company has been collaborating with Tmall, a business group of Alibaba Group, on trans-border

e-commerce. We mostly sell health supplements and maternity and infant products, and the platform will help us to expand to the Chinese e-commerce market and reach to the widespread Chinese netizen, thus enhancing our brand awareness overseas.

② Maternity and infant products

A. In response to low birth rates, we will add more mid- to high-end products to enhance the average unit price of products.

B. Expand the scope of product needs such as environmental, detergents, and mothers' needs during breast feeding to increase the average number of products bought per customer.

③ Health foods and supplements

A. In addition to gradually introducing well-established domestic and international brands, we will also compete for exclusive retail rights in Taiwan.

B. In terms of own products, we will expand from the current health supplements to medical equipment to increase the ratio of own products on the overall sales.

④ Health care products

A. Health care products for outpatients and senior citizens and planning of management for large-scale medical equipment.

B. Introducing more professional care products for specific diseases.

⑤ Other

A. Organic, natural, chemical-free philosophy, personal hygiene and skincare, and environmental cleaning products.

B. Organic foods, safe food additives and health beverages.

(II) Industry Overview

1. Current state and development of the industry

The main macro environmental factors that have higher impact to the industry that our Company belongs to are: the change of demographic structure, the change of policies and legislations, and the overall economic situation described by indexes like gross domestic product (GDP) and national health expenditure (NHE). Therefore, these impacts are described below according to factors including the demographic trends of our country, policies and legislation changes, trend of NHE per capita in our country, and the ratio of NHE to GDP.

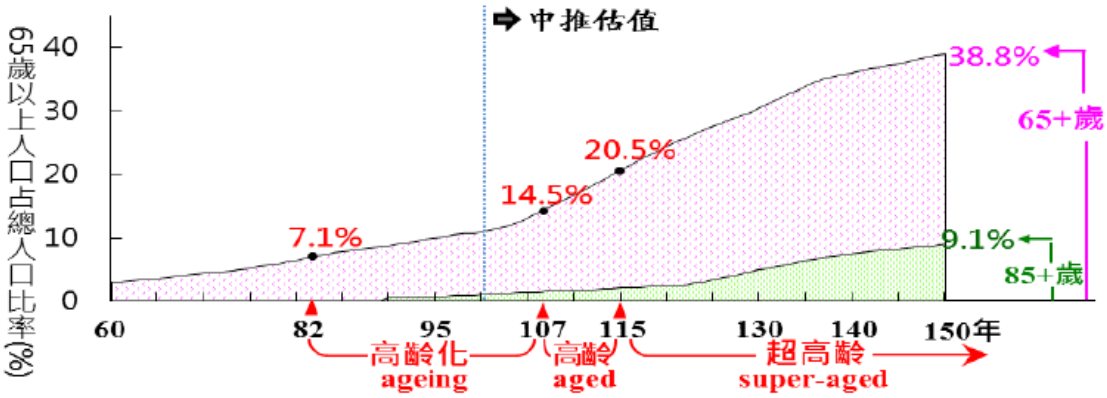
① Age Demographic Trend in Taiwan

According to the "Republic of China Population Estimation (2016 to 2061)" published by the National Development Council, by 1993, the ratio of older population to the general population of our country had surpassed 7%, making our society an aging society. As shown in figure 3, this ratio is expected to surpass 14% in 2018, making our country an aged society, and by year 2026, this ratio will be over 20%, which means

our country will be part of the super aged society.

Moreover, as shown in figure 4, the growth of the working population consisting of people between age 15 to 64 is continuing to slow down, and will start to decrease in the year 2016, while the growth of the older population of people over the age of 65 is higher than the growth of working population. As the post-war baby boomers began to be older than the age of 65, the growth of the older population in our country had started to speed up since 2011, and surpassed the young-age population in 2017. After that, as the older population increase, death count will increase as well, the population growth will slow down and becomes negative growth in 2051. It is estimated that the older population will grow from 3.108 million in 2016 to 7.152 million in 2061, which is a growth of 130%.

Figure 3: Timeline of the aging population of the country

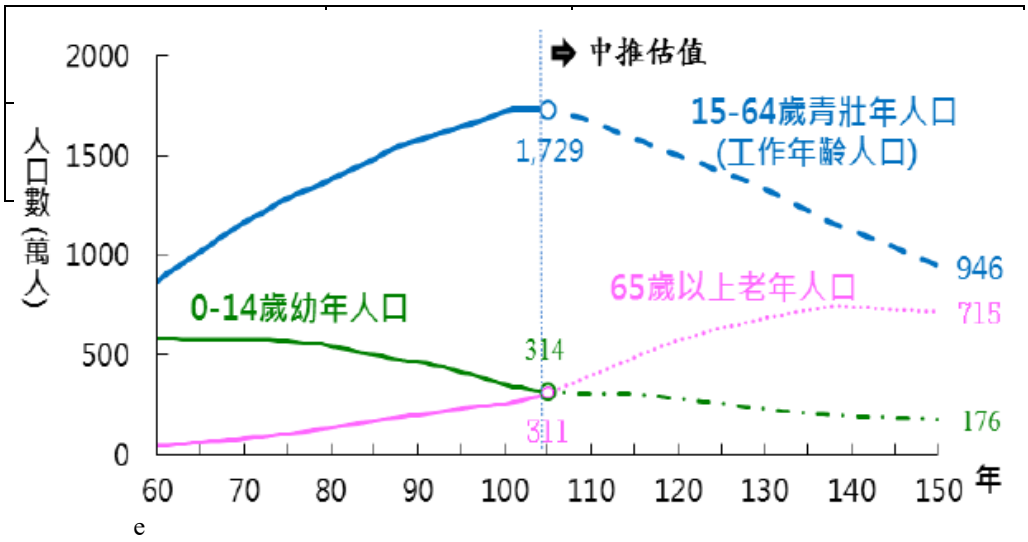


Percentage of persons aged 65 and more on the overall population (%)			
Estimated median	Ages 65+	Ages 85+	Years
Ageing	Aged	Super-aged	

Data source:

1. 1971 to 2015 are from the "Republic of China Population Statistics Annual Report" published by the Ministry of the Interior
2. 2016 to 2061 are from "Republic of China Population Estimations (2016 to 2061)" report

Figure 3: Demographic trend of our country



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1. 1971 to 2015 are from the "Republic of China Population Statistics Annual Report" published by the Ministry of the Interior
2. 2016 to 2061 are from "Republic of China Population Estimations (2016 to 2061)" report

As the older population ratio increases to grow in our country, the need of medical care, disease and sickness monitoring and prevention will increase. In that situation, the expenditure on various drugs, health supplements, and health care products are expected to increase as well.

② Policy changes

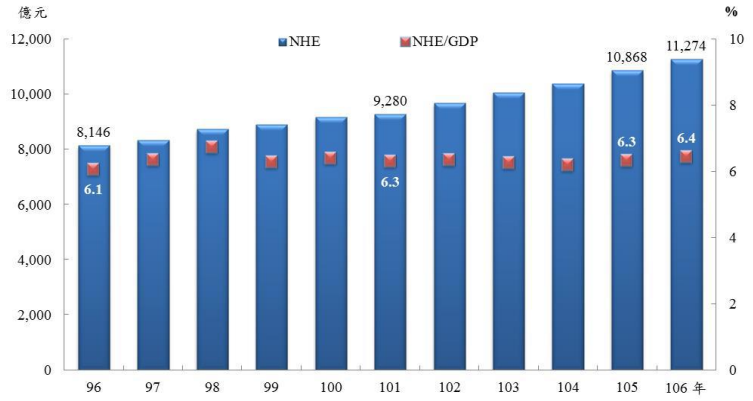
Our country implemented the separation of dispensing practice from medical practice in 1997. The principle of separation of dispensing practice from medical practice is to have doctors responsible for diagnosis, treatment, and issue prescriptions, and have pharmacists responsible for preparing medication according to the prescription and provide instructions and consultations on drug use. The goal was to protect people's right to knowledge and choice, to provide medical efficiency by making doctors and pharmacists cooperate, and to protect drug use safety for people. In light of the fact that some hospitals used the differences in drug prices to earn high profits from drug administration, the National Health Insurance Administration (NHIA) has been conducting surveys on drug prices and adjusting their prices on a bi-annual basis since 2000. The hospital's margin for drug price difference continues to shrink, and under the total payment system stipulated by the NHI, hospital management needs to adjust its profit structure, prioritize businesses with higher profits and to reduce the drug sales business with declining profits.

③ Average NHE changes per person and ratio on the GDP

As indicated in the following diagram, the "2017 Domestic Medical and Health Expenditure" prepared by the Ministry of Health and Welfare shows that in 2017, the national health expenditure (NHE) was NT$ 1,127.4 billion, showing a 3.7% increase from 2016. The ratio of increase outweighs the annual 1.9% increase in Gross Domestic Product, or GDP, leading the ratio of NHE on GDP (which was NT$ 17,501.2 billion) to arrive at 6.4%, up 0.1 percentage point from the previous year. Average NHE per person was NT$ 47,860, showing a 3.6% increase from the previous year. This indicates that the public's health and medical expenditure is showing a steady increase in each year.

Currently, NHE accounts for between 6% and 7% of GDP. However, in recent years, due to the rapid advancement of international medical and biomedical technology, Taiwan's national income continues to increase and the population structure is also accelerating. According to the development experience of OECD countries, Taiwan's national health care needs will continue to grow due to international development trends and its ageing population.

Diagram 5. Overview of National Health Care Expenditure



In NT$100 million	Years

表 1 NHE 及平均每人 NHE

	國民醫療保健支出（NHE）		平均每人NHE		平均每人GDP		NHE/GDP	GDP年增率
	億元	年增率(%)	元	年增率(%)	元	年增率(%)	(%)	(%)
96年	8,146	4.1	35,545	3.7	585,016	5.6	6.1	6.1
97年	8,347	2.5	36,294	2.1	571,838	-2.3	6.3	-1.9
98年	8,732	4.6	37,837	4.3	561,636	-1.8	6.7	-1.4
99年	8,893	1.9	38,432	1.6	610,140	8.6	6.3	8.9
100年	9,170	3.1	39,539	2.9	617,078	1.1	6.4	1.4
101年	9,280	1.2	39,877	0.9	631,142	2.3	6.3	2.6
102年	9,679	4.3	41,460	4.0	652,429	3.4	6.4	3.7
103年	10,079	4.1	43,067	3.9	688,434	5.5	6.3	5.8
104年	10,385	3.0	44,261	2.8	714,774	3.8	6.2	4.1
105年	10,868	4.7	46,217	4.4	730,411	2.2	6.3	2.4
106年	11,274	3.7	47,860	3.6	742,976	1.7	6.4	1.9

附註：依最新國民所得統計進行編算修正。

Table 1 NHE and Average NHE per person

	National health expenditure (NHE)		Average NHE per person		Average NHE per person		NHE/GDP (%)	Annual GDP growth rate (%)
	In NT$100 million	Annual growth rate (%)	NT$	Annual growth rate (%)	NT$	Annual growth rate (%)		
2007	8,146	4.1	35,545	3.7	585,016	5.6	6.1	6.1
2008	8,347	2.5	36,294	2.1	571,838	-2.3	6.3	-1.9
2009	8,732	4.6	37,837	4.3	561,636	-1.8	6.7	-1.4
2010	8,893	1.9	38,432	1.6	610,140	8.6	6.3	8.9
2011	9,170	3.1	39,539	2.9	617,078	1.1	6.4	1.4
2012	9,280	1.2	39,877	0.9	631,142	2.3	6.3	2.6
2013	9,679	4.3	41,460	4	652,429	3.4	6.4	3.7
2014	10,079	4.1	43,067	3.9	688,434	5.5	6.3	5.8
2015	10,385	3	44,261	2.8	714,774	3.8	6.2	4.1
2016	10,868	4.7	46,217	4.4	730,411	2.2	6.3	2.4
2017	11,274	3.7	47,860	3.6	742,976	1.7	6.4	1.9

Note: The table was compiled and revised according to the latest data on GDP.

Source: "2017 Domestic Medical and Health Care Expenditure" from Ministry of Health and Welfare, Executive Yuan

④ Domestic drug and skincare and beauty retail market

According to "operating revenue from wholesale, retail and catering industry" from the Department of Statistics, MOEA, the revenue from the retail market for medicine, medical products and beauty/skincare product in Taiwan has grown from NT$157.6 billion in 2009 to approximately NT$210.7 billion in 2018, indicating annual compound growth rate of 3.28%. In particular, as the economy in Taiwan was largely impacted by the European debt crisis in 2012, the overall market growth has leveled off, while in 2017, the revenue was NT$202 billion, showing a 4.3% YoY growth. As a whole, the drug and skincare/beauty retail market in Taiwan is showing moderate growth.

In addition, in terms of NHI medical expense, the expenses from year 2010 to 2018 were NT$131.2 billion, NT$142.3 billion, NT$141.8 billion, NT$153.9 billion, NT$160.5 billion, NT$162.2 billion, NT$170.2 billion, NT$183.5 billion, and NT$195.5 billion, respectively. Due to the aging population and the increase in hospital visits, the number of patients for major illnesses and chronic clinical patients have grown over the years, leading the average growth rate of medical expense to be approximately 5.11%.

According to "Long-term Research on the Mental and Physical States of Middle-Aged to Senior Citizens in Taiwan" from the Health Promotion Administration, nearly 90% (88.7%) of all senior citizens have mentioned at least one chronic illness diagnosed by a doctor. As many as 50% of all seniors have also been diagnosed with more than three chronic illnesses. High blood pressure (46.67%), cataract (42.53%), and heart disease (23.90%) were the three most commonly found chronic illnesses in seniors. In terms of mental health, 13.00% of male seniors and 17.20%

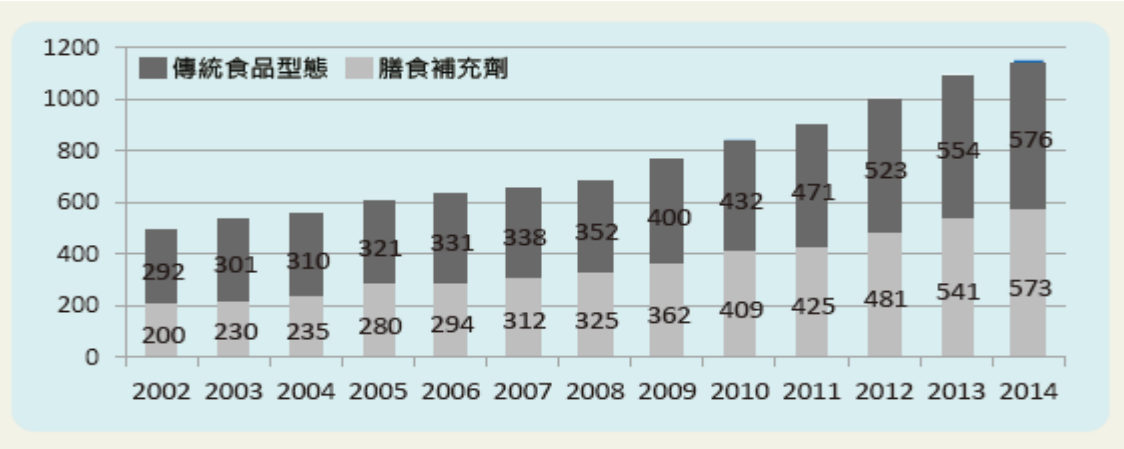
of female seniors have mentioned signs of depression. Evaluation of various chronic mental and physical illnesses has given rise to the market for chronic prescription drugs, which will rapidly boom with the acceleration of the aging population problem.

⑤ Domestic health foods industry

The origin of health foods market in Taiwan can be traced back to the Yeast Candy and yeast powder launched by Taiwan Sugar Corp. in the 70s. Over 40 years have elapsed, and we have gone from fixed state supplements that only included capsules and pills to diverse types such as syrups and drinks. In addition, beverage type supplements have also developed from vitamins in the early days to functional beverages, beauty and skin care collagen and Chinese and herbal medicinal drinks. We are seeing more and more diversification in products.

With the improvement of health awareness in domestic consumers in recent years and the increase of chronic illnesses and the aging structure of the population, the demand for health foods and supplements has also increased accordingly. Health foods have gradually become supplements needed by the general public, and have driven for ample market opportunities for biotech foods such as functional foods, nutrition and dietary supplements. Currently, the health foods in Taiwan are mostly products designed to regulate blood lipids, gastrointestinal improvements, immunal regulation, and for liver protection. According to survey and estimates from Industry & Technology Intelligence Service from the Food Industry Research and Development Institute, the scale of the health foods market in Taiwan in 2014 was NT$114.9 billion, showing a 4.93% increase over the previous year. In particular, dietary supplements have shown 5.91% growth, while traditional health foods have grown by 3.97%.

Scale of the Health Foods Market in Taiwan in 2014



Traditional food-type	Dietary supplement

Source: Industry & Technology Intelligence Service (ITIS Program) from the Food Industry Research and Development Institute in June 2015

According to international market research company Euromonitor, the

average compound growth rate of the Asia-Pacific nutrition and health care products market from 2013 to 2018 was 7.40%. This indicates that the market size of the Asia-Pacific region is expanding over the years, and that in addition to domestic sales, the sales of food bio-sector sectors from Taiwan are mostly focused on the Asia-Pac region. While the domestic market for health products that mostly use probiotics, burdock and other microbes as raw materials is becoming increasingly saturated, and the vitamins and nutritious foods that appeal to supplement consumer's vitamin needs have already reached saturation; alternatively, relevant businesses are still fond of using plant-based raw materials, and most of the industry is also aiming to develop overseas markets. It is also worth noting that the capsule-type health foods are more convenient for consumers to ingest and the unit price is higher than traditional health foods. Most of the industry competitors are planning to invest in the production of capsule-type health foods and to expand the overseas market. Therefore, it is estimated that the production value of food biotechnology sector will grow in 2017.

⑥ Domestic maternity and baby products market

The early pharmacies in Taiwan mostly used closed-off prescriptions. The pharmacy channels mainly sold non-prescription medicine, dispensing drugs, and some household cleaning products. However, with the implementation of National Health Insurance (NHI), nearly all pharmacy dosage was taken over by NHI clinics. Therefore, the drugstore market began to transition, turning from closed off to open-shelf, and at the same time, they have also shifted their focus to infant and children's products. The drugstore market boomed rapidly, first replacing supermarkets, then surpassing hypermarkets to become the largest retail channel for infants' and babies' formula in Taiwan. The rapid emergence of drugstore channels is due to the following reasons on top of policy changes from the government:

- Professional background of the drugstores helps to establish an image of being professional to the consumers.
- Pharmacists can easily acquire nutritional knowledge and can provide pregnant women and mothers with consultation and service related to nutrition.
- The model of drugstores makes them highly interactive with consumers, helping to enhance consumer loyalty.
- Prices at drugstores are flexible and can provide long-term promotional prices to consumers.
- Drugstores are usually operated as community models, making them more accessible to consumers.

A. Overview of milk powder market

Milk powder for babies (also known as formula) is an alternative choice to breastfeeding. It is a food designed to support the adequate growth of babies, and can also serve as their only source of nutrition. Ingredients of most of the infant and baby formula in the market include pure milk and casein as a source of protein, mixed vegetable oil as a source of fat, lactose as a source of carbohydrates, and vitamins and mineral compounds and other ingredients. According to the World Health Organization (WHO), any infant formula prepared in accordance with international food regulations is treated as a safe food with sufficient nutrition and is suitable as a substitute of breast milk. In addition to breast milk, the medical community believes that infant formula is the only type of milk acceptable to infants less than the age of one in terms of nutrition.

According to the 2015 research data from Kantar Worldpanel, the scale of the market for infant formula in Taiwan is approximately NT$6.7 billion, while infant formula can be classified based on "age" and "product function." Four classifications can be made based on age: formula for newborns (stage 1 milk powder), relatively older infant formula (stage 2 milk powder), formula for

growing infants (stage 3 milk powder), and children's nutritional formula (stage 4 milk powder) as indicated in the following table.

Age	0-6 months	6-12 months	1-3 years old	3-7 years old
Stage	Newborn baby formula	Relatively older infant formula	Formula for growing infants	Children's nutritional formula

According to the dairy production industry trend report from the Taiwan Industry Economics Service, MOEA in October 2017, the domestic dairy and milk powder businesses have begun to develop the domestic milk powder for the adult market. Based on the fact that the population in Taiwan continues to age, businesses have developed special milk powder for the middle-aged population over 50 years old, such as milk powders containing high calcium content, high iron content, plant-based dietary fibers, glucosamine, Omega 3 and vitamin B, which meet the dietary needs for middle-aged population in Taiwan. Therefore, the import performance of milk powder for adults has been effectively increased. Moreover, as the Taiwanese population's awareness for health beverages such as calcium supplementation increases, so does their need for dairy products such as cheese.

B. Overview of diaper market

Adult diapers are necessities to long-term bedridden patients and patients of urinary incontinence. As we enter into an ageing society, the ratio of senior citizens in the overall population structure continues to increase in each year. The need for adult diapers has also increased accordingly. The following table indicates that the senior population over 65 years old in Taiwan has increased from 2.528 million in year 2011 to 3.258 million by 2017, while the sales volume of adult diapers has grown from 444 million pieces to 574 million, showing a growing trend. It is obvious that Taiwan is gradually entering an ageing society, and as national income and the enhancement of lifestyle quality and sanitation and health habits continue to change, it can be expected that the scale of the adult diaper market will continue to steadily expand in the future.

Overview of diaper sales in Taiwan

我國紙尿褲銷售概況

項目 \ 年別	100年	101年	102年	103年	104年	105年	106年
65歲以上人老年人口數（萬人）	252.8	260.8	269.8	280.8	293.8	310.6	326.8
成人紙尿褲銷售量（億片）	4.44	4.68	4.86	5.20	4.93	5.64	5.74

資料來源：1.「內政統計月報」，內政部統計處。
2.「造紙產銷量統計」，台灣區造紙工業同業公會。

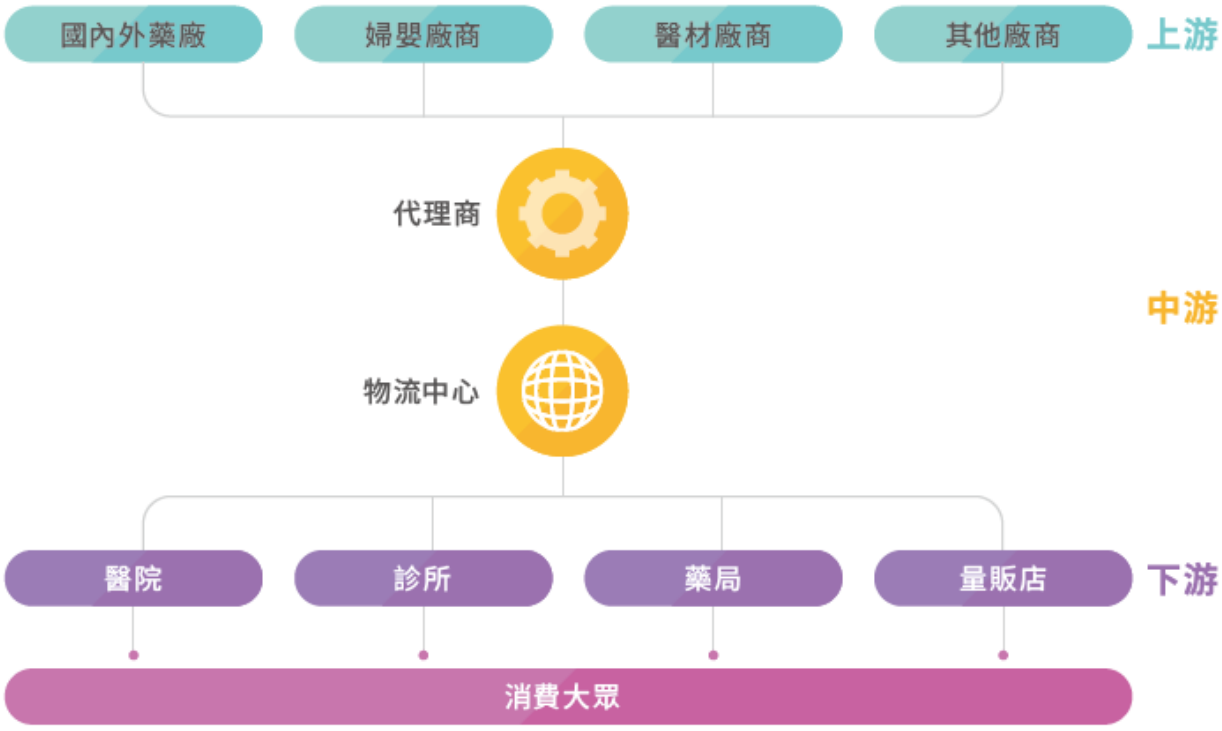
Item/Year	2011	2012	2013	2014	2015	2016	2017
Aged population 65+ (in 10 thousand persons)	252.8	260.8	269.8	280.8	293.8	310.6	326.8
Sales volume of adult diapers (in 100 million pieces)	4.44	4.68	4.86	5.20	4.93	5.64	5.74

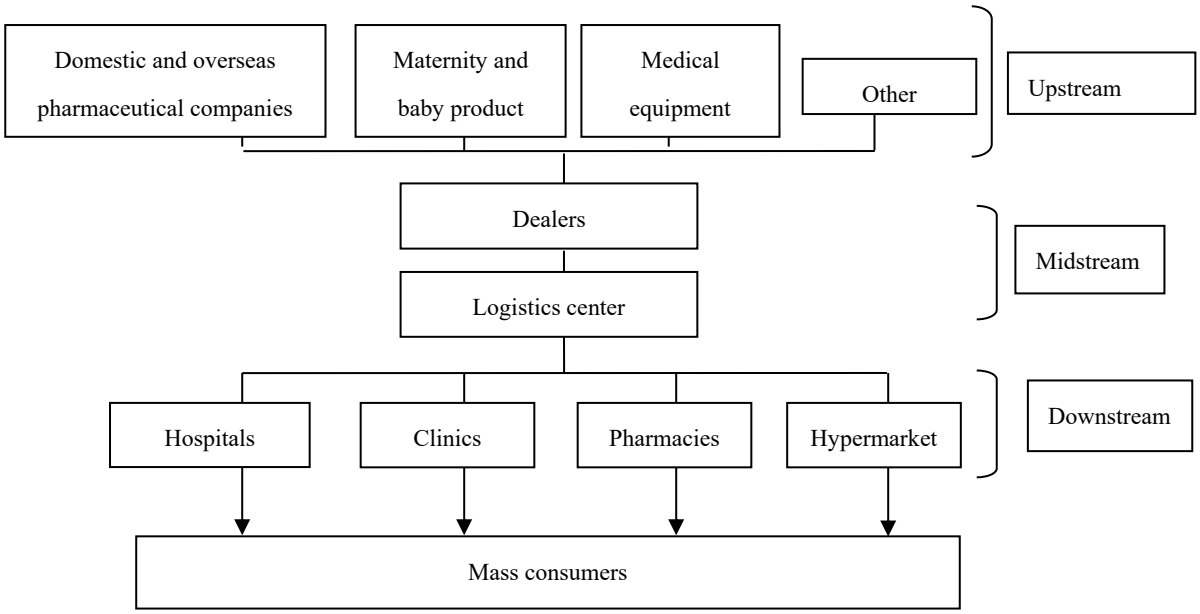
Sources: 1. "Monthly Report from the Ministry of Interior" from Department of Statistics in Ministry of Interior
2. "Paper-production and sales statistics report" from Taiwan Paper Industry Association

In terms of baby diapers, though birth rate continues to decline, but as national income and the household employment rate continue to rise, the domestic baby diaper sales have largely maintained steady growth. Since many competitors have entered the baby diaper market in recent years, there are many similar products on the market, leading to intense competition. Based on the above, the adult diaper market has benefited from the rapidly ageing population, while the growth of baby diaper market is kept at a steady pace due to low birth rate. Therefore, the overall diaper market has kept a pace of continuous, steady growth.

2. Correlation among upstream, midstream, and downstream of the industry

The Company has professional pharmacy sales teams who serve as channels between domestic and overseas pharmaceutical vendors and the consumers. We assist suppliers to provide their products to target audience, while also support consumers to purchase the products they need through convenient, professional, and diversified services. The industry can be roughly divided into upstream, midstream, and downstream.





3. Development trends of various products

As the purchasing behavior of medical products require a higher and more professional barrier, consumers have less product information and higher needs for health care education. Therefore, enhancing the professionalism of storefront personnel is even more crucial in meeting consumer needs. The Company has a competitive product strategy:

① As the population in Taiwan ages and medical expense increases, everyone's medical and drug expenditure will also steadily increase.

② The market for chronic prescription medicine is rapidly increasing due to the aging population in Taiwan.

③ Under the policy of separating clinics from medication, the reception rate of chronic continuous prescription has continued to increase.

④ Pharmacy chains have replaced traditional single-store community drugstores, pharmacies within clinics, or drugstores near clinics.

4. Product competition

① Large enterprises have invested toward management of pharmacy channels

Large chain pharmacies in Taiwan, including Healthy Life and Yes Chain are gradually being acquired in recent years, and large drugstore chain like Cosmed has also invested toward health care community drugstores. Though as a Group, the Company's scale is still smaller than our competitors, but in terms of professional drugstore management, we have already rapidly opened new stores and bridged the competitive gap through the GT-POMS system, which is a blend of our 10 years of successful experience. We have also widened the competition in terms of professionalism through our pioneering personal cloud-based health management system.

(III) Technical and R&D Overview

The Company is in the chain pharmacy channel business and has not established an in-house R&D department. Nevertheless, to cater to the needs of the public consumers, our Product Marketing Department is committed to product development tasks and has planned the packaging of our own products, marketing strategies, and channel promotions. By developing various products and commissioning suppliers to produce them, the various development projects of own products have helped us to achieve talent cultivation, supplier partnership, and close-knit partnership during subsequent marketing and sales.

(IV) Short/long-term business development plans

(1) Short-term business development plans

① Continue to optimize successful store opening model and to expand the

scale of business.

② Continue to plan strategic collaborations.

③ By pioneering the personal cloud-based health management system and providing consumers with free online professional health care services, we will increase the frequency of cloud-based health information platform use, helping the platform to reach maturity in 5 years and becoming the first professional health care cloud-based virtual channel in Taiwan.

④ Launch commercial functions on the cloud-based health information platform. Integrate physical and virtual customer service and sales system to overcome the legal prohibition against drug sales online to establish a direct, fast, and comprehensive bi-lateral health consultation channel for customers.

(2) Long-term development plan

① Expand the cloud-based integrated system to the Chinese market throughout the world to increase market share.

② Horizontally expand the industry and collaborate and form partnerships with health-related industries and diverse industries to achieve well-rounded service. By promoting the use of the cloud-based medical history app, we can provide members with innovative services ranging from cloud-based medical history query, reminder for drugs, and reminder for hospital visits, thus maximizing our brand value.

II. Market and Sales and Marketing Overview

(I) Market analysis

1. Regions of major products (service) provisions

Unit: thousand NTD, %

Year / Item	2017		2018	
	Monetary amount	Ratio	Monetary amount	Ratio
Domestic sales	3,592,758	99.15%	4,846,299	98.89%
Exports	30,976	0.85%	54,430	1.11%
Total	3,623,734	100.00%	4,900,729	100.00%

Note: The aforementioned financial information is consolidated information that has adopted IFRS reporting standards.

2. Market share and future supply and demand in the market and growth rate

(1) Market share

The Company is a downstream channel chain industry in the biotechnology industry. According to Volume 913 of the Distribution News in April 2019, as of April 10, 2019, there are as many as 1,249 chain drugstore businesses in Taiwan, and the Company has 115 stores on April 10, 2019, accounting for 9.21% of the total number of chain drugstore channels in Taiwan. In addition, "operating revenue from wholesale, retail and catering industry" from the Department of Statistics, MOEA, indicates that in 2018, the revenue from the retail market for

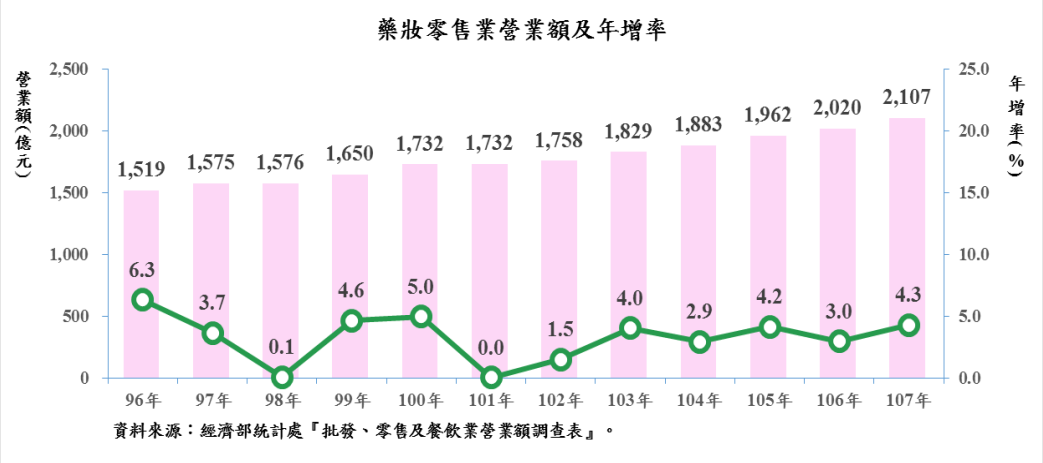
medicine, medical products and beauty/skincare product in Taiwan in 2018 was estimated to be approximately NT$210.7 billion. The Company accounts for approximately 2.33% of the market share based on the NT$4.901 billion revenue on the 2018 Consolidated Financial Statements.

(2) Future supply-demand status and growth in the market

① Demand side

A. Drug and beauty retail market in Taiwan

According to data from "operating revenue from wholesale, retail and catering industry" from the Department of Statistics, MOEA, the revenue from the retail market for medicine, medical products and beauty/skincare product in Taiwan in 2018 was estimated to be approximately NT$210.7 billion, having reached a historical record and an annual growth rate of 4.3%, The average growth rate over the past decade had been 2.96%. It can be seen from the following diagram that the growth of the retail market for drugs and beauty products has low correlations with the domestic economy, and was not severely affected by the economic recession. As the population ageing index reached over 100 in February 2017, indicating that the number of senior citizens has surpassed the number of children for the first time and has continued to soar beyond 110 by the end of 2018 to arrive at 112.6, it is obvious that the ageing society will have an increasing demand for medicine and medical equipment. As a whole, the pharmacy market in Taiwan continues to show an upward trajectory in the future.



Revenue and Annual Growth Rate of the Skincare/Beauty/Medical Retail Industry											
Turnover (In NT$100 million)											
Annual growth rate (%)											
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Source: "Operating revenue from wholesale, retail and catering industry" from the Department of Statistics in Ministry of Economic Affairs											

B. Biotech health foods market

According to survey and estimates from Industry & Technology Intelligence Service from the Food Industry Research and Development Institute, the scale of the health foods market in Taiwan in 2014 was NT$114.9 billion, showing a 4.93% increase over the previous year. In particular, dietary supplements have shown 5.91% growth, while traditional health foods have grown by 3.97%. Date from Euromonitor indicated that the average compound growth rate of the Asia-Pacific nutrition and health care products market from 2013 to 2018 was 7.4%. This indicates that the market size of the Asia-Pacific region is expanding over the years, and that in addition to domestic sales, the sales of food bio-sector sectors from Taiwan are mostly focused on the Asia-Pac region. While the domestic market for health products that mostly use probiotics, burdock and other microbes as raw materials is becoming increasingly saturated, and the vitamins and nutritious foods that appeal to supplement consumer's vitamin needs have already reached saturation; alternatively, relevant businesses are still fond of using plant-based raw materials, and most of the industry is also aiming to develop overseas markets. It is also worth noting that the capsule-type health foods are more convenient for consumers to ingest and the unit price is higher than traditional health foods. Most of the industry competitors are planning to invest in the production of capsule-type health foods and to expand the overseas market. Therefore, it is estimated that the production value of food biotechnology sector will grow in 2017.

C. Maternity and infant products

Having begun with milk powder and diapers in the category of maternity and baby products, our pharmacy gradually expanded to include lineup of baby products, going from customer attraction to revenue consideration. Moreover, the mutual inclusiveness of professionalism over these products have prompted some pharmacies to actively increase these products. The sales of a mix of maternity and baby products are mostly designed to increase customer retention, and to expand into the baby dietary supplement market. According to Kantar Worldpanel's 2016 research, the scale of the market for infant formula in Taiwan was approximately NT$6.5 billion, while the market for baby diapers was approximately NT$6.4 billion. After adding a mix of maternity and baby products, pharmacies carved into the market shares of supermarkets and hypermarkets. Currently, pharmacies account for 90%, 70%,

and 50% or more of the infant and baby powder milk, children's powder milk, and baby diapers market volume respectively.

② Supply side

Since the Company is a downstream channel chain industry in the biotechnology industry, supply side analysis will be based on the production values of upstream domestic and overseas pharmaceutical companies and health food companies. As the global biotechnology and medical industry continues to grow and domestic demand for biotech products increases, adding momentum and business opportunities for the operations of biotech and pharmaceutical industry in Taiwan, the operational scale of biotech medical industry also continues to grow. Statistics from the Ministry of Economic Affairs indicated that in 2018 the revenue forecast for the biotech medical industry had reached NT$514.1 billion, with an overall growth rate of 5.5%. Most of the aforementioned revenue comes from health care, medical equipment, applied biotechnology, and medicine. In particular, medical equipment showed the largest growth rate. In 2018, its revenue was NT$159.2 billion, indicating an annual growth rate of 8.8%. In addition, the revenue from medicine in 2018 was approximately NT$81.3 billion, with an annual growth rate of 1.5%. Applied biotech had approximately NT$103 billion in revenue and 4.5% annual growth rate, while health care (including health promotions and well-being) had approximately NT$170.6 billion in revenue and 5% annual growth rate.

③ Growth

As the standards of education increases, the work-related pressure on the public also increases accordingly. Busy lifestyle has led to unbalanced diets while the age of illnesses gradually decreases. The medical awareness of natural prevention has emerged, and consumers are paying increasing attention to the health care concept that prevention is more important than cure, and more and more of the public is willing to invest toward their health. Though financial slump around the world in 2009 had led to economic downturn, but the revenues from health foods providers in Taiwan had grown in spite of the slump. This shows that the pharmacy channel is mostly focused on delaying ageing and strengthening both physical and mental health while supplementing short- and long-term protection and care, and will continue to show steady

growth and development.

Furthermore, Mainland China begun to push for new medical reform in 2009 and would invest over CNY 850 billion toward reforming the medical infrastructure. In addition, China plans to adjust its economic development structure through "expanding domestic need" and "seven strategic emerging industries" in the "12th Five-Year Plan," and bio medical industry is one of its core industries. The production value of the overall seven strategic emerging industries on the GDP will be increased from 1% to 15%, and the production value will reach CNY 10 trillion, indicating that there is ample market potential in the Chinese medical service market. After stabilizing our market share in the Taiwanese channel market for medical products, the Company plans to be dedicated to developing the Chinese market.

3. Competitive Niches

① Stable customer relations and winning the trust from consumers

Provide consumers with free online professional health care service via our pioneering personal cloud-based health management system on top of providing physical and virtual channels of communication, building the professional brand of "Great Tree" and winning a high sense of reliability from customers.

② Great Tree Pharmacy management system

The Company boasts of the most experienced and comprehensive core management team throughout the industry. We understand changes in the industry development and our marketing team continuously innovate more diverse types of services. Collectively, we have built the Great Tree Pharmacy management system and achieved the ISO09001 and Good Service Provider certifications.

③ Well-rounded teaching system

The medical industry is intricately connected with health and human safety. In addition, laws, educational training, marketing and sales, and services are both complex; thus, the Company has built a comprehensive educational training system and innovated remote teaching system and online evaluation. From new recruits to personnel of each ranks, each level of our employees will be subjected to appropriate courses, providing professional relevant knowledge to the in-store service personnel.

4. Favorable and unfavorable factors in development prospects and countermeasures

① Favorable factors

A. Increase in GDP, gradual increase of the percentage of senior population and the increased awareness for health

As GDP, the percentage of senior population, and the average lifespan of Taiwanese population continue to increase, the public's need for various medical and health such as health care, disease detection and prevention will definitely rise. This will continue to drive the sales of various medicine, health foods, and health care products.

B. Under the policy of separating clinics from medication and the NHI total payment system, the reception of chronic and continuous prescriptions has continued to increase

In light of the fact that some hospitals used the differences in drug prices to earn high profits from drug administration, the National Health Insurance Administration (NHIA) has been conducting surveys on drug prices and adjusting their prices on a bi-annual basis since 2000. The hospital's margin for drug price difference continues to shrink, and under the total payment system stipulated by the NHI, hospital management needs to adjust its profit structure, prioritize businesses with higher profits and to reduce the drug sales business with declining profits. Therefore, under the combination of the NHI regularly reviewing drug prices, total payment system, and the separation of clinics from medication, large hospitals have actively released the prescription business due to their own subpar profit structure, so that the Company's chronic prescription drug business will continue to grow in the future.

C. Received ISO 9001 certification and awarded with GSP certification, actively developing cloud-based medical history system

The Company boasts of the most experienced and comprehensive core management team throughout the industry. We understand changes in the industry development and our marketing team continuously innovate more diverse types of services. Collectively, we have built the Great Tree Pharmacy management system and achieved the ISO09001 and Good Service Provider certifications, indicating our excellent management efficiency and fulfilling our brand philosophy of "a pharmacy you can trust" in practice.

In line with the government's policy of separating treatment from medication, the Company has developed a "drugstore cloud-based medical history integration service management system." After many years of actual practice, we have successfully integrated the prescription drug purchasing, supply, and management in drugstores, community clinics, joint clinical centers, and medical communities. Based on these advantages, the Company will launch the commercial

functions on the cloud-based health information platform. We will integrate physical and virtual customer service and sales system to overcome the legal prohibition against drug sales online to establish a direct, fast, and comprehensive bi-lateral health consultation channel for customers.

D. Comprehensive educational training system

The products the Company sells is intricately connected with consumers and has to do with health and human safety. In addition, laws, educational training, marketing and sales, and services are both complex; thus, the Company has built a comprehensive educational training system and innovated remote teaching system and online evaluation. From new recruits to personnel of each ranks, each level of our employees will be subjected to appropriate courses, providing professional relevant knowledge to the in-store service personnel.

E. Understand customer needs, develop own-brand products to expand the levels of service and enhance customer satisfaction

The Company operates chain pharmacy channel, and understands customer needs and preferences as the nature of our industry allows us to come face-to-face with consumers. Moreover, based on the service philosophy of introducing the most suitable products to customers, we have developed our own brand products to cater to customer needs. We wish to enhance customer loyalty, satisfaction, and willingness to make repurchase through selling the products that best meet their needs, thus enhancing contribution margin.

F. Member customers have high levels of loyalty to the Company's brand, and effectively inject contribution margin

The Company's in-store staff will drive customer flow by inviting members to make repurchases and by organizing promotional activities, thus also increasing brand loyalty and adhesion. The Company currently has nearly 1.8 million members, and since members can enjoy shopping discounts, accumulate bonus points and free online fliers and other benefits, the willingness to make repurchase is effectively stimulated in members. Moreover, the ratio of revenue from members to monthly revenue is gradually increasing, showing that members of the Company have high levels of adhesion to the Company's channel brand, and we hope to continuously drive their contribution margin and to drive the Company's sales.

② Unfavorable factors

A. Increasingly intense competition with many substitute products

Due to the high homogeneity of the products provided by each chain drugstore channel, the degree of differentiation is rendered less obvious. As consumers tend to purchase products with lower prices, each channel operator is likely to fall into price wars, thereby weakening the Company's profitability.

Response measures

The Company fosters professional knowledge and characters as well as the passion for service in our storefront personnel through solid educational training, so that they can actively provide consultation for customers on maternity and baby products and health foods with a positive attitude; thereby helping pharmacists to focus on drug administration, chronic disease service management and consultation as well as NHI prescription drugs, non-prescription drugs, and over-the-counter drugs. By enhancing the professional knowledge of pharmacists and store personnel, we can provide consumers with well-rounded health management solutions, thus differentiating our stores from competitors and enhancing positive recognition, trust, and loyalty to our brand from customers.

B. Wide variety of products make quality control difficult

Since the Company has a wide variety of product lines and mixes as well as numerous upstream suppliers, the quality management over products is challenging. Our overall performance could be affected if consumers lose faith in products.

Response measures

Prior to introducing products to the shelves at stores, the Company would strengthen the quality control over products and evaluate suppliers. We adopt preventive measures to actively control product quality for consumers. In case product quality is found to be defective, the Company will actively find and recall the product in question and assist consumers to seek for indemnities from suppliers to prevent them from purchasing questionable products and not being able to return them. This will also help to generate consumers' faith in the Company.

(II) Major applications and production process of the primary products

(1) Applications of primary products

Product type	Applications
Maternity and infant products, NHI prescription drugs and health care supplements	Products are sold in the chain pharmacy channels, where we offer consumers choices for drugs, home-based health care and health prevention.

(2) Product review and launch

Research on new products and market needs → Review of supplier qualifications → Sample evaluation by Purchasing Department → Review by category → Launching of products in retail outlets

(III) Supply status of main materials

Suppliers of the Company's main materials are from Taiwan, and the supply of main materials is decent. No shortage of supply has occurred in the most recent two years. In addition, since the Company's output has reached economies of scale, making it easier for the Company to negotiate for better terms with major suppliers, the Company is in a better position to develop new suppliers and to maintain stable supply.

(IV) Suppliers/customers who accounted for at least 10% of purchases/sales and respective amount and percentage in the most recent 2 years

1. Information on major suppliers in the most recent 2 years

   The Company is a chain pharmacy channel and our major purchases are pharmaceutical companies and agents in Taiwan. No suppliers have accounted for more than 10% of all purchases.

2. Information on the main customers in the most recent two years

   The Company is a chain pharmacy channel and our major sales transactions are made to average consumers. No consumers have accounted for more than 10% of all sales.

(V) Table of production volume in the 2 most recent years

The Company is a chain pharmacy channel and our focus is on channel development, product sales and consultation for drug administration. We do not have production or manufacturing, hence this analysis for changes in production volume is not applicable.

(VI) Sales volume in the most recent two fiscal years

Unit: thousand NTD

	2017				2018			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Maternity and infant products	Note 1	1,655,596	Note 1	14,622	Note 1	2,338,889	Note 1	28,640
National Health Insurance (NHI) prescription drugs		625,852		—		744,560		80
Health foods and supplements		727,628		12,627		1,032,968		19,884
Health care products		394,624		3,161		529,272		4,763
Others (Note 2)		189,058		566		200,610		1,063
Total		3,592,758		30,976		4,846,299		54,430

Note 1: The Company is a chain pharmacy channel and sells many types of products with varying quantities. Therefore, a consistent count of quantities sold is not possible.

Note 2: Others include living goods and foods.

III. Employee Information in the Last Two Years up to the Date of Publication of This Annual Report

As of April 30, 2019; Unit: persons; years; age

Year		2017	2018	2019 As of April 30
Number of employees (persons)	Manager	7	7	7
	Logistics personnel	177	203	210
	Storefront sales	542	718	744
	Total	726	928	961
Average age		28.07	29.20	29.50
Average year of services		2.29	2.43	2.47
Distribution of education Ratio (%)	Ph.D.	0.14	0.11	0.10
	Masters	0.41	0.97	1.46
	College or university	66.94	68.53	69.20
	High school	32.51	30.39	29.24
	Below high school	-	-	-

IV. Information on Environmental Protection Expenditures

(I) Application, payment, or establishment of a pollutant-producing permit or pollutant discharge permit or a person designated to set up an environmental protection unit in accordance with the law: the Company is a pharmacy channel and does not have production processes and does not cause pollution. Hence this is not applicable.

(II) Total amount of losses (including compensations) and punishments incurred by the Company due to environmental pollution in the most recent year up to the date of publication of the Annual Report: None.

V. Labor Management Relations

(I) The company's employee welfare policies, continuing education, training, retirement systems and implementation status, the agreement between employees and employer and employees' rights and interests:

(1) Employee benefit measures, continuing studies and training

In addition to processing labor insurance and National Health Insurance for our employees in accordance with the law, the Company has also established an Employee Welfare Committee that promotes various employee benefit measures to award and to thank employees for their hard work. Employee benefits at the Company include the following types:

Type of benefit	Content
Bonus	Year-end bonus and performance-based bonus
Insurance	Labor insurance, National Health Insurance, and employee group insurance
Holidays	Special leaves, work-related injury leaves, personal leaves, sick leaves, marriage leaves, funeral leaves, maternity leaves, prenatal checkup leaves, paternity leaves, menstruation leaves, family care leaves, compensatory leaves, and pregnancy leaves
Grants and subsidies	Employee health checkup, flu vaccinations, weddings and funerals, maternity benefit, sick and emergency allowances
Recreation	Quarterly departmental luncheons, domestic and overseas trips, year-end lucky draw, coupons for answering questions during meetings
Holiday bonuses	Gift certificates on the three traditional holidays and birthday coupons
Facilities	Nursing room, employees lounge, smoking room, educational training center
Shopping	Employees can purchase products from Great Tree Pharmacy at a discounted price.

The Company gradually reformed the work environment for employees in 2017, renovated office areas and educational training classroom to provide comfortable work and learning environments. Various vending machines, coffee machine, and rice cookers are installed at the employee lounge. In addition, a nursing room has also been installed, allowing female workers to care for their families while working.

The Company allocated NT$5,075,123 in 2018 to organize employee travel and health checkup. These benefits were enjoyed by 353 and 890 persons (headcount) respectively. In recent years, the Company has achieved stable revenues, and the allocations of benefits have also increased accordingly. The Employee Welfare Committee will appropriately review and adjust each benefit system to boost the morale of our employees.

To foster both long-term business growth and employee competencies, thereby enhancing work performance and achieving the Company's management goals, the Company is highly focused on the career development and talent cultivation of employees. Educational training has been carried out in the following three categories:

① Prework training: all new recruits receive prework training to help them

to be quickly accustomed to the work environment, understand the Company system and their rights and obligations.

② On-the-job training: internal training, selected training, and training from externally commissioned instructors.

③ Talent training: viewed as a long-term investment of employees, on top of various on-the-job training, the Company also adopts overseas trips, visits to famous companies in Taiwan and attending various meetings, or job rotations in employee training.

2018 Educational training courses

Name of course	Total sessions (1)	Hours per session (2)	Total hours organized (1)*(2)	Total participants trained
New employee course	9	28	252	597
Professional course	42	2	84	522
Course for all employees	20	3	60	718
Management trainee course	4	4	16	59
Total	75	-	412	1,896

Professional continuing studies for personnel in functions related to financial information transparency are as follow:

① The Company's finance manager and representative of the accounting manager participated in the "Issuer Stock Exchange Accounting Manager Continuing Study Class" hosted by the Accounting Research and Development Foundation (ARDF) had have passed the relevant examination and continue to study toward more advanced courses.

② The Company's audit manager and representative of audit manager participated in the "Path to Legal Protection - How to Deal with Investigation and Trial Procedure," "Self-Evaluation Practices," and "Significant Financial Frauds and Legal Risks" courses hosted by the Institute of Internal Auditors-Chinese and have passed the relevant examinations and are continuing to study toward more advanced courses.

(2) Retirement system and implementation

Labor Pension Act was enacted as of July 1, 2005 and the Company adopts defined contribution plans. Employees may elect to apply for either the provisions regarding pensions in the former Labor Standards Law, or the pension system in the current Labor Pension Act and reserve the seniority prior to application of such act. For employees who meet the criteria for the act, upon actuarial accounting from a commissioned actuary, the Company will contribute 2% of the salaries payable in each month toward the pension reserve. The reserve will be deposited to the dedicated pension fund account at the

Bank of Taiwan under the name of the Worker Pension Reserve Supervisory Committee and has been approved by the Taoyuan County Government. The Pension Reserve Supervisory Committee meets every three months and is responsible for the supervision and review of appropriation of pension reserve, deposit, and expenditure. The Company's appropriations for employees who meet the criteria for the act in 2018 was NT$223,200. After July 2005, in line with the government's policy, personal pension reserve account is adopted, and the Company contributes 6% of the employee's monthly salary and deposits the amount into dedicated employee account at the Bureau of Labor Insurance. The Group's appropriations for defined benefits plan in 2018 pursuant to the Labor Pension Act was NT$18,555,691.

(3) Labor relations agreements and protection of various employee rights and interests

① The Company's measures and regulations regarding labor relations management are all based upon relevant laws. Moreover, the Company has always maintained a self-management and full participation management style, where each department manager and his/her subordinates would effectively communicate through regular business meetings and educational training. Therefore, the Company maintains positive labor relations and has had no relevant disputes.

② The Company has always been committed to caring for our employees. To prevent occupational disasters and to protect worker safety and health, the Store Development Department has established a set of "Occupational Health and Safety Work Rules," and is responsible for amendments, establishments, promotions and follow-up of occupational health and safety regulations, as well as coordinating and implementing the health inspection tasks at all stores and the head office. Great Tree has organized labor relations meetings and an Occupational Safety and Health Committee in accordance with relevant laws. Both employer and employees nominated 5 representatives each and regularly convene meetings to discuss worker rights, benefits, and occupational safety matters.

(II) Losses arising as a result of labor disputes in the most recent year up to the date of publishing of this annual report, and disclosure of potential losses in the current and future terms and countermeasures

Since our founding, the Company has always had a very harmonious labor relations and fluent channels of communication. The Company also organizes labor relations meetings and seminars to explain about Company policy. The management highly values opinions, needs, and questions from the workers, and strives to solve and to provide the best assistance possible. Therefore, no material labor dispute has broken out since the Company's inception. Looking to the future, under such a positive,

interactive relation between the management and workers, we estimate that the chances of incurring losses due to labor disputes are very low.

VI. Material Contracts

Nature of contract	Person involved	Date and duration of the contract	Major content	Restrictive clauses (Note 4)
Lease contract for the head office	Hsiao Wan Chi, Hsiao Wan Chuan, Hsiao Wan Chun, Hsiao Sheng Hsiung, and Hsiao Jung-Hua	July 1, 2014 to December 31, 2023	Office lease	None
Interdisciplinary strategic alliance agreement for pharmacy and convenience store	FamilyMart	May 1, 2015 to April 30, 2022	The Company and Family Mart have formed a cross-industry strategic alliance of "Family Mart + Great Tree Pharmacy," a new type of business model that integrates pharmacy with convenience store	None

Chapter 6 Financial Information

I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Years

1. Condensed Balance Sheet

Condensed Balance Sheet - Consolidated Information

Unit: thousand NTD

Item \ Year		Financial information from the last five fiscal years (Note 1)					Financial information as of March 31, 2019(Note 2)
		2014	2015	2016	2017	2018	
Current assets		657,899	683,447	1,020,314	1,194,396	1,836,087	1,842,105
Property, plant, and equipment (Note 2)		99,310	157,927	213,769	281,558	385,621	439,144
Intangible assets		-	-	-	-	-	1,543,309
Other assets (Note 2)		502	1,146	440	2,997	3,061	4,815
Total assets		21,624	26,368	45,384	58,164	81,019	79,343
Current assets		779,335	868,888	1,279,907	1,537,115	2,305,788	3,908,716
Current liabilities	Before distribution	289,208	320,747	537,361	723,089	926,252	1,060,797
	After distribution	310,208	371,267	571,841	777,991	Undistributed	Undistributed
Non-current liabilities		6,474	6,796	6,121	7,373	303,883	1,803,082
Total liabilities	Before distribution	295,682	327,543	543,482	730,462	1,230,135	2,863,879
	After distribution	316,682	378,063	577,962	785,364	Undistributed	Undistributed
Equity attributable to owners of parent company		483,653	541,345	736,425	804,713	1,051,736	1,020,928
Capital		210,000	231,000	265,230	305,015	365,516	365,516
Capital reserve		136,130	137,814	268,939	269,539	435,799	435,799
Retained earnings	Before distribution	137,523	172,531	202,256	230,159	250,421	219,613
	After distribution	95,523	122,011	127,991	175,257	Undistributed	Undistributed
Other equity		-	-	-	-	-	-
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	-	1,940	23,917	23,909
Total equity	Before distribution	483,653	541,345	736,425	806,653	1,075,653	1,044,837
	After distribution	462,653	490,825	701,945	751,751	Undistributed	Undistributed

＊ Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

Note 1: The aforementioned financial statements have been audited by CPA. The First Quarter 2019 financial statement has been reviewed by CPA.

Note 2: For those who have carried out asset revaluation, the date of the revaluation and amount of revaluation should be stated: Not applicable

Note 3: Figures after distribution shall be filled based on the resolution from the Shareholders' Meeting in the following year.

Note 4: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

Condensed Balance Sheet - Individual Information

Unit: thousand NTD

Item \ Year		Financial information from the last five fiscal years (Note 1)					Financial information as of March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		608,122	652,856	976,244	1,160,513	1,731,732	Not applicable
Property, plant, and equipment (Note 2)		75,135	129,236	190,505	261,834	366,741	
Intangible assets		502	1,146	440	2,997	3,061	
Other assets (Note 2)		67,963	75,591	100,903	114,894	165,276	
Total assets		751,722	858,829	1,268,092	1,540,238	2,266,810	
Current liabilities	Before distribution	261,715	310,808	525,666	728,272	911,430	
	After distribution	282,715	361,328	560,146	783,174	Undistributed	
Non-current liabilities		6,354	6,676	6,001	7,253	303,644	
Total liabilities	Before distribution	268,069	317,484	531,667	735,525	1,215,074	
	After distribution	289,069	368,004	566,147	790,427	Undistributed	
Equity attributable to owners of parent company		483,653	541,345	736,425	804,713	1,051,736	
Capital		210,000	231,000	265,230	305,015	365,516	
Capital reserve		136,130	137,814	268,939	269,539	435,799	
Retained earnings	Before distribution	137,523	172,531	202,256	230,159	250,421	
	After distribution	95,523	122,011	127,991	175,257	Undistributed	
Other equity		-	-	-	-	-	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	483,653	541,345	736,425	804,713	1,051,736	
	After distribution	462,653	490,825	701,945	749,811	Undistributed	

＊ Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

Note 1: The aforementioned financial statements have been audited by CPA. No CPA audited individual financial statement prepared in accordance with IFRS is available for the First Quarter of 2019.

Note 2: For those who have carried out asset revaluation, the date of the revaluation and amount of revaluation should be stated: Not applicable.

Note 3: Figures after distribution shall be filled based on the resolution from the Shareholders' Meeting in the following year.

Note 4: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

2. Condensed Comprehensive Income Statement

Condensed Comprehensive Income Statement - Consolidated Information

Unit: thousand NTD (except for EPS, which is NTD)

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information as of March 31, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Net operating revenue	1,662,431	2,159,857	2,802,016	3,623,734	4,900,729	1,479,327
Gross profit	477,566	537,874	678,235	920,002	1,205,746	340,047
Operating profit	82,022	78,990	100,733	108,287	124,532	21,557
Non-operating income and expenses	35,564	19,901	12,886	15,556	10,328	11,077
Profit before tax	117,586	98,891	113,619	123,843	134,860	32,634
Continuing operations Net income	95,854	77,466	92,865	102,358	105,979	25,668
Net income	95,854	77,466	92,865	102,358	105,979	25,668
Other comprehensive income (loss) for the period (Net income after tax)	3,891	(458)	10	(250)	(337)	-
Total comprehensive income (loss)	99,745	77,008	92,875	102,108	105,642	25,668
Net income attributable to owners of the parent company	95,854	77,466	92,875	102,418	105,642	25,668
Net income attributable to non-controlling interests	-	-	-	(60)	(23)	(8)
Total comprehensive income Attributable to owners of the parent company	99,745	77,008	92,875	102,168	105,665	25,676
Total comprehensive income attributable to non-controlling interests	-	-	-	(60)	(23)	(8)
Earnings per share (NT$)	3.35	2.52	2.83	3.05	3.01	0.70

＊ Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

Note 1: The aforementioned financial statements have been audited by CPA. The First Quarter 2019 financial statement has been reviewed by CPA.

Note 2: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

Note 3: Calculated based on the weighted average of shares outstanding in the current year, and retroactively adjusting the number of outstanding shares issued in the next year due to capital increase by reinvestment of surplus or paid-in capital.

Condensed Comprehensive Income Statement - Individual Information

Unit: thousand NTD (except for EPS, which is NTD)

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information as of March 31, 2019(Note 2)
	2014	2015	2016	2017	2018	
Net operating revenue	1,567,915	2,116,576	2,881,999	3,606,685	4,914,093	Not applicable
Gross profit	378,707	487,796	622,508	870,767	1,161,196	
Operating profit	68,691	63,102	80,615	91,074	113,561	
Non-operating income and expenses	44,304	30,958	27,408	27,954	16,855	
Profit before tax	112,995	94,060	108,023	119,028	130,416	
Continuing operations Net income	95,854	77,466	92,865	102,418	106,002	
Net income	95,854	77,466	92,865	102,418	106,002	
Other comprehensive income (loss) for the period (Net income after tax)	3,891	(458)	10	(250)	(337)	
Total comprehensive income (loss)	99,745	77,008	92,875	102,168	106,002	
Net income attributable to owners of the parent company	95,854	77,466	92,865	102,418	106,002	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	99,745	77,008	92,875	102,168	105,665	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share (NT$)	3.35	2.52	2.83	3.05	3.01	

＊ Companies having compiled an individual financial report shall compile individual condensed balance sheet and consolidated income statement.

Note 1: The aforementioned financial statements have been audited by CPA. No CPA audited individual financial statement prepared in accordance with IFRS is available for the First Quarter of 2019.

Note 2: For those who were informed by the competent authority to correct or recompile financial information, statements should be prepared using corrected or recompiled figures and the status and reasons of which shall be noted: Not applicable.

Note 3: Calculated based on the weighted average of shares outstanding in the current year, and retroactively adjusting the number of outstanding shares issued in the next year due to capital increase by reinvestment of surplus or paid-in capital.

3. Names of CPA and audit opinion for the past five years

Year	Name of accounting firm (Note)	Name of CPA (Note)	Audit opinion
2014	Ernst & Young	Cheng Ching Piao, Hung Mao Yi	Unreserved opinion
2015	Ernst & Young	Cheng Ching Piao, Hung Mao Yi	Unreserved opinion
2016	Ernst & Young	Cheng Ching Piao, Hung Mao Yi	Unreserved opinion
2017	Ernst & Young	Lo Hsiao Chin, Cheng Ching Piao	Unreserved opinion
2018	Ernst & Young	Lo Hsiao Chin, Cheng Ching Piao	Unreserved opinion

Note: CPAs were replaced in 2017 due to internal rotation of CPA in Ernst & Young.

II. Financial Analysis for the 5 Most Recent Fiscal Years

Financial analysis for the 5 most recent years - Consolidated information

Analysis item (Note 2)/Year (Note 1)		Financial analysis for the 5 most recent years					Current year up to March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure	Debt-asset Ratio (%)	37.94	37.70	42.46	47.52	53.35	73.27
	Proportion of long-term capital in PP&E (%)	493.53	347.09	347.36	289.11	357.74	143.66
Solvency	Current ratio	227.48	213.08	189.87	165.18	198.23	173.65
	Quick ratio	130.65	102.65	104.76	89.63	117.75	94.09
	Interest coverage ratio	10,690.64	Note7	Note7	571.71	39.50	5.34
Operating performance	Receivables turnover rate (times)	22.58	17.23	13.26	13.15	15.64	17.31
	Average collection days	16	22	28	28	23	21
	Inventory turnover rate (times)	5.57	5.67	5.73	5.76	5.99	5.91
	Payables turnover rate (times)	7.53	7.05	8.45	5.39	5.51	5.67
	Average days for sale	66	65	64	64	61	62
	Property, plant, and equipment turnover rate (times)	21.02	16.79	15.08	14.63	14.69	5.00
	Total asset turnover rate (times)	2.72	2.62	2.61	2.57	2.55	1.90
Profitability	Return on assets (%)	15.67	9.40	8.64	7.28	5.66	0.98
	Return on equity (%)	25.11	15.12	14.54	13.27	11.26	2.42
	Ratio of profit before tax on paid-in capital (%)	55.99	42.81	42.84	40.60	36.90	8.93
	Net income ratio (%)	5.77	3.59	3.31	2.82	2.16	1.74
	Earnings per share (NT$)	4.23	3.19	3.57	3.36	3.01	0.70
Cash flow	Cash flow ratio (%)	32.69	Note8	24.03	21.69	14.18	12.38
	Cash flow adequacy ratio (%)	61.14	37.62	42.48	45.78	39.65	37.82
	Cash flow reinvestment ratio (%)	9.59	Note8	9.22	12.69	4.81	2.06
Leverage	Operating leverage	3.65	4.62	5.78	5.46	6.27	10.30
	Financial leverage	1	1	1	1	1.03	1. 4

Please explain about the changes in various financial ratios in the most recent 2 years.
The following analysis are for financial ratios with 20% or more of changes in years 2018 and 2017:
1. Increase in Proportion of long-term capital in PP&E is mostly attributable to developing store operations to capital increase and issuance of corporate bonds.
2. Increase in Current ratio and Quick ratio is capital increase and issuance of corporate bonds.
3. Decrease in Interest coverage ratio is issuance of corporate bonds to increase interest expense.
4. Decrease in cash flow ratio is mostly attributable to developing store operations to decrease in cash flow.
5. Decrease in cash flow reinvestment ratio is mostly attributable to developing store operations to decrease in cash flow.

＊ In case a separate Individual Financial Statements is compiled, the company should also prepare a separate financial ratio analysis for the Individual Financial Statements.

Financial analysis for the 5 most recent years - Individual information

Analysis item (Note 2)/Year (Note 1)		Financial analysis for the 5 most recent years					Current year up to March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure	Debt-asset Ratio (%)	35.66	36.97	41.93	47.75	53.60	Not applicable
	Proportion of long-term capital in PP&E (%)	643.71	424.05	389.71	310.11	369.57	
Solvency	Current ratio	232.36	210.05	185.72	159.35	190.00	
	Quick ratio	126.28	96.89	123.85	102.34	127.73	
	Interest coverage ratio	10,273	Note7	Note7	549.52	38.20	
Operating performance	Receivables turnover rate (times)	27.23	19.81	11.17	9.32	10.92	
	Average collection days	13	19	33	40	33	
	Inventory turnover rate (times)	5.56	5.72	7.29	7.87	7.92	
	Payables turnover rate (times)	7.58	7.19	6.50	5.41	5.59	
	Average days for sale	66	64	51	47	46	
	Property, plant, and equipment turnover rate (times)	25.06	20.71	18.03	15.95	15.64	
	Total asset turnover rate (times)	2.64	2.63	2.71	2.57	2.58	
Profitability	Return on assets (%)	16.12	9.62	8.73	7.31	5.72	
	Return on equity (%)	25.11	15.12	14.54	13.29	11.42	
	Ratio of profit before tax on paid-in capital (%)	53.81	40.72	40.73	39.02	35.68	
	Net income ratio (%)	6.11	3.66	3.22	2.84	2.16	
	Earnings per share (NT$)	4.23	3.19	3.57	3.36	3.01	
Cash flow	Cash flow ratio (%)	24.68	Note8	23.47	21.21	12.93	
	Cash flow adequacy ratio (%)	62.82	24.95	36.32	42.67	41.71	
	Cash flow reinvestment ratio (%)	4.16	Note 8	8.71	12.78	4.10	
Leverage	Operating leverage	4.00	5.47	5.78	6.31	6.81	
	Financial leverage	1	1	1	1	1.03	

Please explain about the changes in various financial ratios in the most recent 2 years.
The following analysis are for financial ratios with 20% or more of changes in years 2018 and 2017:

1. Increase in Proportion of long-term capital in PP&E is mostly attributable to developing store operations to capital increase and issuance of corporate bonds.
2. Increase in Current ratio and Quick ratio is capital increase and issuance of corporate bonds.
3. Decrease in Interest coverage ratio is issuance of corporate bonds to increase interest expense.
4. Decrease in cash flow ratio is mostly attributable to developing store operations to decrease in cash flow.
5. Decrease in cash flow reinvestment ratio is mostly attributable to developing store operations to decrease in cash flow.

Note 1: The aforementioned financial information has all been audited by CPA.

Note 2: The calculation formula shall be included at the end of this table on the Annual Report:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
   (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operating performance
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average Collection Days = 365 / Receivables Turnover Rate.
   (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average Days for Sale = 365 / Inventory Turnover Rate.
   (6) Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
   (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)] / Average total asset value.
   (2) Return on equity = net income after tax / average equity
   (3) Net margin = net income / net sales.
   (4) Earnings per share = (net income (loss) attributable to owners of parent company – dividends on preferred shares) / weighted average number of issued shares.
5. Cash flow
   (1) Cash flow ratio = net operating cash flow / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash re-investment ratio = (Net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital).
6. Leverage:
   (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.
   (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

Note 3: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. It shall be based on the weighted average number of ordinary shares, not the number of shares issued at the end of the year.
2. Companies who had cash increase or treasury share transaction should consider the circulation period in calculation of weighted average number of shares.
3. Companies that have transferred surplus or paid-in capital to capital increase shall be retrospectively adjusted according to the proportion of capital increase when calculating the earnings per share (EPS) for the previous year or six-month period, and need not to consider the issuance period of the capital increase.
4. If the preferred stocks are nonconvertible cumulative preferred stocks, its dividend of the year

(whether is being distributed or not) shall add or subtract the net loss from the net income. If the preferred stocks are non-accumulative in nature, in case of net income after tax, dividend from preferred stocks should be deducted from the net income after tax. This adjustment is not necessary in case of deficit.

Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to cash outflow due to capital investment in each year.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for ordinary shares and special shares.
5. Gross property, plant and equipment are the total amount of real estate, plant and equipment before deducting accumulated depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment, the company should pay attention to its reasonableness and maintain consistency.

Note 6: If the company's shares do not bear nominal value or if the nominal value is not NT$10, the aforementioned calculation of paid-in capital will be calculated based on the equity ratio of the balance sheet to the owner of the parent company.

Note 7: No interest expense was incurred; hence relevant ratios are not stated.

Note 8: Cash flow from operating activities was a negative figure and does not have comparative meaning. Hence relevant ratios are not stated.

III. Supervisors' Audit Report for the Financial Statements in the Most Recent Year

Great Tree Pharmacy Co., Ltd.

Supervisors' Audit Report

Please acknowledge

The Board of Directors has prepared and submitted the Company's 2018 Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and the Appropriation of Net Income, in which the Financial Statements (including Individual and Consolidated Financial Statements) have been audited by Certified Public Accountants (CPA) Lo Hsiao Chin and Cheng Ching Piao from Ernst & Young Taiwan, who have also disclosed a CPA Audit Report. The aforementioned Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and Appropriation of Net Income have been reviewed by Supervisors, and no discrepancies have been found. Therefore, an Audit Report has been prepared in accordance with Article 219 of the Company Act. Please review accordingly.

To

2019 Annual Shareholders' Meeting

Great Tree Pharmacy Co., Ltd.

Supervisor Liu Shu Liang

March 28, 2019

Great Tree Pharmacy Co., Ltd.

Supervisors' Audit Report

Please acknowledge

The Board of Directors has prepared and submitted the Company's 2018 Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and the Appropriation of Net Income, in which the Financial Statements (including Individual and Consolidated Financial Statements) have been audited by Certified Public Accountants (CPA) Lo Hsiao Chin and Cheng Ching Piao from Ernst & Young Taiwan, who have also disclosed a CPA Audit Report. The aforementioned Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and Appropriation of Net Income have been reviewed by Supervisors, and no discrepancies have been found. Therefore, an Audit Report has been prepared in accordance with Article 219 of the Company Act. Please review accordingly.

To

2019 Annual Shareholders' Meeting

Great Tree Pharmacy Co., Ltd.

Supervisor Chen Hung Yi

March 28, 2019

Great Tree Pharmacy Co., Ltd.

Supervisors' Audit Report

Please acknowledge

The Board of Directors has prepared and submitted the Company's 2018 Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and the Appropriation of Net Income, in which the Financial Statements (including Individual and Consolidated Financial Statements) have been audited by Certified Public Accountants (CPA) Lo Hsiao Chin and Cheng Ching Piao from Ernst & Young Taiwan, who have also disclosed a CPA Audit Report. The aforementioned Business Report, Financial Statements (including Individual and Consolidated Financial Statements) and Appropriation of Net Income have been reviewed by Supervisors, and no discrepancies have been found. Therefore, an Audit Report has been prepared in accordance with Article 219 of the Company Act. Please review accordingly.

To

2019 Annual Shareholders' Meeting

Great Tree Pharmacy Co., Ltd.

Supervisor Hsieh Po Chuan

March 28, 2019

English Translation of Financial Statements and a Report Originally Issued in Chinese

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Great Tree Pharmacy Co., Ltd. as of December 31, 2018 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Great Tree Pharmacy Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Great Tree Pharmacy Co., Ltd..

By

Liu Yu Teng
Chairman

May 28th, 2019

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To Great Tree Pharmacy Co., Ltd.

Audit Opinion

We have audited the accompanying consolidated balance sheets of Great Tree Pharmacy Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31,2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Great Tree Pharmacy Co., Ltd. and its subsidiaries recognized operating revenue of NT$4,900,729 thousand in 2018. Since the Group's sources of revenue include different selling models such as retail transactions at pharmacies and revenue from management services and more, the judgment over performance obligation and the timing of its fulfillment over customer orders or contracts was needed, therefore leading to significant risk of revenue recognition. Hence, we have decided to include this as a key audit matter. Our audit procedures include (but are not limited to): understanding each selling model, evaluating the appropriateness of revenue recognition policy related to obligation fulfillment under each model, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle, conducting detailed testing by sampling the sales receipts, and conducting analytical review procedure and carrying out cut-off tests and more. We have also taken the appropriateness of operating revenue disclosure in Note 4 and Note 6 in the Notes to Consolidated Financial Statements into consideration.

Inventory Valuation

As of December 31, 2018, the net inventory of Great Tree Pharmacy Co., Ltd. and its subsidiaries was NT$716,655 thousand, accounting for 31% of the consolidated total asset. The main businesses of Great Tree Pharmacy Co., Ltd. and its subsidiaries include trading of baby, kids and maternity products as well as various drugs. Most of their products have shelf lives, leading evaluations of allowance for inventory valuation and obsolescence loss to require material judgment by the Group's management. Therefore, this was included as a key audit matter. Our audit procedures include (but are not limited to): evaluating the appropriateness of the policy of allowance for inventory valuation and obsolescence loss, evaluating the management method for near expiring goods and identification of expired inventory and testing the effectiveness of the relevant internal control, sampling the inventory aging report to test its accuracy and selecting significant inventory location for physical inventory observation and count, and inspecting current inventory and utilization status and more. We have also taken the appropriateness of inventory disclosure in Note 5 and Note 6 in the Notes to Consolidated Financial Statements into consideration.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion..

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion including and Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

Ernst & Young
Financial Report of TWSE Listed Company as Authorized by the Competent Authority
Auditing and Attestation No. (2017) FSC No. 1060026003
(2014) FSC No. 1030025503

Lo Hsiao Chin

Certified Public Accountant (CPA)

Cheng Ching Piao

May 28, 2019

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Balance Sheet

As of December 31, 2018 and 2017

(Amounts Expressed in thousands of New Taiwan Dollars)

Asset			December 31, 2018		December 31, 2017	
Code	Accounting Item	Note	Amount	%	Amount	%
11xx	**Current asset**					
1100	Cash and cash equivalents	4 and 6.1	$633,661	28	$274,672	18
1136	Financial assets measured at amortized cost	4, 6.2, and 8	24,000	1	-	-
1147	Debt instrument investments without active market	4, 6.3, and 8	-	-	51,240	4
1150	Notes receivable,net	4 and 6.4	2,072	-	531	-
1170	Accounts receivable,net	4 and 6.5	347,894	15	275,555	18
1200	Other receivables		80,164	4	43,835	3
1220	Income tax asset for the period		37	-	-	-
1310	Inventories, net	4 and 6.6	716,655	31	512,048	33
1410	Prepayments		28,773	1	34,251	2
1470	Other current assets		2,831	-	2,264	-
	Total current assets		1,836,087	80	1,194,396	78
15xx	**Non-current assets**					
1535	Financial assets measured at amortized cost	4, 6.2, and 8	3,000	-	-	-
1546	Debt instrument investments without active market	4, 6.3, and 8	-	-	3,000	-
1600	Property, plant, and equipment	4 and 6.7	385,621	17	281,558	18
1780	Intangible asset	4 and 6.8	3,061	-	2,997	-
1840	Deferred tax assets	4 and 6.24	2,409	-	1,329	-
1900	Other non-current assets	4 and 6.9	75,610	3	53,835	4
	Total non-current assets		469,701	20	342,719	22
1xxx	Total assets		$2,305,788	100	$1,537,115	100

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Balance Sheet (continued)

As of December 31, 2018 and 2017

(Amounts Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2018		December 31, 2017	
Code	Accounting Item	Note	Amount	%	Amount	%
21xx	**Current liabilities**					
2100	Short-term borrowings	4 and 6.10	$-	-	$70,000	4
2130	Contract liabilities	4 and 6.18	4,398	-	-	-
2150	Notes payable		368,504	16	249,978	16
2170	Accounts payable		420,482	18	302,416	20
2200	Other payables	4 and 6.12	106,144	5	76,957	5
2230	Current tax liabilities	4 and 6.24	19,432	1	11,087	1
2300	Other current liabilities	6.13	7,292	-	12,651	1
	Total current liabilities		926,252	40	723,089	47
25xx	**Non-current liabilities**					
2500	Financial liabilities at fair value through profit and loss	4 and 6.11	3,690	-	-	-
2530	Bonds payable	4 and 6.14	286,569	12	-	-
2640	Net defined benefit liabilities	4 and 6.15	3,656	-	3,486	-
2645	Guarantee deposits		9,968	1	3,887	-
	Total non-current liabilities		303,883	13	7,373	-
2xxx	Total liabilities		1,230,135	53	730,462	47
31xx	**Equity attributable to shareholders of the parent company**					
3100	Capital	6.16				
3110	Common stock		365,516	16	305,015	20
3200	Additional pain-in Capital	6.16				
3210	Share premium		421,308	18	265,308	18
3271	Employee stock options	6.17	2,928	-	2,952	-
3272	Stock options		10,001	1	-	-
3280	Others		1,562	-	1,279	-
3300	Retained earnings	6.16				
3310	Legal capital reserve		49,220	2	38,978	3
3350	Unappropriated earnings		201,201	9	191,181	12
36xx	**Non-controlling interests**		23,917	1	1,940	-
3xxx	**Total equity**		1,075,653	47	806,653	53
	Total liabilities and equity		$2,305,788	100	$1,537,115	100

The accompanying notes are an integral part of the consolidated financial statements

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

			2018		2017	
Code	Item	Note	Amount	%	Amount	%
4000	**Operating revenue**	4 and 6.18	$4,900,729	100	$3,623,734	100
5000	**Operating costs**		(3,694,983)	(75)	(2,703,732)	(75)
5900	**Gross profit**		1,205,746	25	920,002	25
6000	**Operating expenses**					
6100	Sales and marketing		(876,875)	(18)	(651,902)	(18)
6200	General and administrative		(204,280)	(4)	(159,813)	(4)
6450	Expected credit impairment loss	6.19	(59)	-	-	-
	Total operating expenses		(1,081,214)	(22)	(811,715)	(22)
6900	**Operating income**		124,532	3	108,287	3
7000	Non-operating income and expenses					
7010	Other income	6.22	16,390	-	18,039	1
7020	Other gains and losses	6.22	(2,648)	-	(2,266)	-
7050	Finance costs		(3,414)	-	(217)	-
	Total non-operating income and expenses		10,328	-	15,556	1
7900	**Income from continuing operations before income tax**		134,860	3	123,843	4
7950	**Income tax expenses**	4 and 6.24	(28,881)	(1)	(21,485)	(1)
8200	**Net income**		105,979	2	102,358	3
8300	**Other comprehensive income (loss)**	6.23				
8310	**Items that will not be reclassified to profit or loss:**					
8311	Actuarial gain(loss) from defined benefit plans		(337)	-	(250)	-
	Total other comprehensive income (loss) ,net of tax		(337)	-	(250)	-
8500	**Total comprehensive income**		$105,642	2	$102,108	3
8600	**Net income attributable to:**					
8610	**Stockholders of the parent**		$106,002	2	$102,418	3
8620	**Non-controlling interests**		(23)	-	(60)	-
			$105,979	2	$102,358	3
8700	**Total Comprehensive Income Attributable to:**					
8710	**Stockholders of the parent**		$105,665	2	$102,168	3
8720	**Non-controlling interests**		(23)	-	(60)	-
			$105,642	2	$102,108	3
	Earnings per share, EPS (NT$)					
9750	**Basic earnings per share**	6.25	$3.01		$3.05	
9850	**Diluted earnings per share**	6.25	$2.82		$3.02	

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2018 and 2017

(Amounts expressed in thousands of New Taiwan Dollars)

	Item	Equity attributable to the parent company					Non-controlling interests	Total equity
				Retained earnings				
		Common Stock	Additional paid-in capital	Legal capital reserve	Unappropriated earnings	Total		
Code		3100	3200	3310	3350	31XX	36XX	3XXX
A1	Balance as of January 1, 2017	$265,230	$268,939	$29,692	$172,564	$736,425	$-	$736,425
	Appropriations of prior year's earnings							
B1	Legal capital reserve			9,286	(9,286)	-		-
B5	Cash dividends				(34,480)	(34,480)		(34,480)
B9	Stock dividends	39,785			(39,785)	-		-
D1	Net income, 2017				102,418	102,418	(60)	102,358
D3	Other comprehensive income (loss) in 2017				(250)	(250)	-	(250)
D5	Total comprehensive income (loss)	-	-	-	102,168	102,168	(60)	102,108
N1	Share-based payment transactions		600			600		600
O1	Increase/decrease in non-controlling interests					-	2,000	2,000
Z1	Balance as of December 31, 2017	$305,015	$269,539	$38,978	$191,181	$804,713	$1,940	$806,653
A1	Balance as of January 1, 2018	$305,015	$269,539	$38,978	$191,181	$804,713	$1,940	$806,653
	Appropriations of prior year's earnings							
B1	Legal capital reserve			10,242	(10,242)	-		-
B5	Cash dividends				(54,902)	(54,902)		(54,902)
B9	Stock dividends	30,501			(30,501)	-		-
C5	Equity component item recognized for issuance of convertible bonds - arising from recognition of equity		10,001			10,001		10,001
D1	Net income, 2018				106,002	106,002	(23)	105,979
D3	Other comprehensive income (loss) in 2018				(337)	(337)	-	(337)
D5	Total comprehensive income (loss)	-	-	-	105,665	105,665	(23)	105,642
E1	Cash capital increase	30,000	156,000			186,000		186,000
N1	Share-based payment transactions		259			259		259
O1	Increase/decrease in non-controlling interests					-	22,000	22,000
Z1	Balance as of December 31, 2018	$365,516	$435,799	$49,220	$201,201	$1,051,736	$23,917	$1,075,653

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Statement of Cash Flows

For the years ended December 31, 2018 and 2017

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2018 Amount	2017 Amount
AAAA	Cash flow from operating activities:		
A10000	Net income before tax	$134,860	$123,843
A20000	Adjustment items:		
A20010	Gain or loss items that do not affect cash flow:		
A20100	Depreciation expenses	62,060	46,054
A20200	Amortization expenses	5,571	1,503
A20300	Expected credit impairment loss	59	-
A20400	Valuation loss on financial liabilities measured at fair value through profit or loss	2,250	-
A20900	Interest expenses	3,414	217
A21200	Interest income	(1,431)	(1,009)
A21900	Cost of share-based payments	259	600
A22500	Loss on disposal of property, plant, and equipment	482	5
A23100	Gain on disposal of investments	-	(16)
A30000	Changes in operating assets and liabilities:		
A31110	Financial assets held for trading	-	16
A31130	Notes receivable	(1,541)	919
A31150	Accounts receivable	(72,398)	(2,322)
A31180	Other receivables	(36,329)	(19,296)
A31200	Inventories	(204,607)	(90,334)
A31230	Prepayments	5,478	1,423
A31240	Other current assets	(710)	1,111
A31990	Other non-current assets	(6,432)	-
A32125	Contract liabilities	1,701	-
A32130	Notes payable	118,526	16,898
A32150	Accounts payable	118,066	85,057
A32180	Other payables	25,389	17,352
A32230	Other current liabilities	(2,662)	(3,236)
A32240	Net defined benefit liabilities	(167)	(161)
A33000	Cash generated from opertations	151,838	178,624
A33100	Interest received	1,431	1,009
A33300	Interest paid	(428)	(217)
A33500	Income tax paid	(21,510)	(22,565)
AAAA	Net cash provided by(used in) operating activities	131,331	156,851

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Consolidated Statement of Cash Flows(continued)

For the years ended December 31, 2018 and 2017

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2018 Amount	2017 Amount
BBBB	Cash flow from investing activities:		
B00050	Disposal of financial assets measured at amortized cost	27,240	-
B00700	Decreases (increase) in debt instrument investments without active market	-	14,211
B02200	Acquisition of property, plant, and equipment	(176,759)	(116,286)
B02800	Disposal of property, plant, and equipment	4,476	-
B03700	Decrease (increase) in guarantee deposits	(5,843)	(9,605)
B04500	Acquisition of intangible assets	(5,635)	(4,060)
BBBB	Net cash provided by (used in) investing activities	(156,521)	(115,740)
CCCC	Cash flow from financing activities:		
C00100	Increase(decrease) of short-term loans	(70,000)	70,000
C02600	Cash received from issuance of debenture	295,000	-
C03000	Increase (decrease) in guarantee deposits received	6,081	1,163
C04500	Distribution of cash dividends	(54,902)	(34,480)
C04600	Cash capital increase	186,000	-
C05800	Increase (decrease) in non-controlling interest	22,000	2,000
CCCC	Net cash provided by (used in) financing activities	384,179	38,683
EEEE	Net increase (decrease) in cash and cash equivalents	358,989	79,794
E00100	Cash and cash equivalents at beginning of period	274,672	194,878
E00200	Cash and cash equivalents at end of period	$633,661	$274,672

The accompanying notes are an integral part of the consolidated financial statements.

I. 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 products, goods for mothers and babies, and cosmetics products. We also provide coordinated medicine procurement services to various clinics, outpatient centers, and medical communities. Besides, we are also an agency for domestic and foreign health care products sold in clinics, outpatient centers, and medical communities.

The Company's initial public offering (IPO) was on March 29, 2016 at the Taipei Exchange (TPEx). The Company's registered address and the main business operating site is at No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City.

II. Dates and procedures of approving financial statements

The 2018 and 2017 Consolidated Financial Statements Company and its subsidiaries (hereinafter referred to as "the Group") have been approved and announced by the Board of Directors on March 28, 2019.

III. Applicability of new and amended accounting principles and explanations

1. Changes in accounting policy from first-time adoption of International Financial Reporting Standards (IFRS):

   The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Standing Interpretations approved by the Financial Supervisory Commission (FSC) and have been applicable since January 1, 2018. First-time adoption has not had significant influences on the Group besides the following explanations on the characters and impacts from the new standards and amendments:

   (1) IFRS 15 - Revenue from Contracts with Customers (including interpretations of IFRS 15 - Revenue from Contracts with Customers):

   IFRS 15 has replaced IAS 11 - Construction Contracts, IAS 18 - Revenue, and related interpretations and announcements. The Group has chosen to recognize the accumulated effects on the date of first-time adoption (i.e. January 1, 2018) in accordance with the rules on transitional treatment of IFRS 15, and we chose to adopt retrospective applications for the incomplete contracts on January 1, 2018.

The Group's revenues from contracts with customers mostly come from sales of products and provision of service. The following is an explanation on the impacts on the Group's revenue recognition from IFRS 15:

A. An explanation of the Group's applicable accounting policies before and after January 1, 2018 can be found at Note 4.

B. Prior to January 1, 2018, revenue from sales of product was recognized at product delivery. After January 1, 2018, pursuant to regulations in IFRS 15, the aforementioned revenue would be recognized when the Group fulfills a performance obligation by transferring the committed goods to the customer. Adoption of IFRS 15 does not affect the Group's sales of goods. Nevertheless, for partial contracts, when goods are transferred to customers but conditions to receive considerations for exchange, contract asset would be recognized as opposed to recognition of accounts receivable prior to January 1, 2018. Additionally, contract asset needs to be evaluated for loss allowances in accordance with IFRS 9 - Financial Instruments. Compared with adoption of IFRS 18, the aforementioned difference has not had any effect on the Group's financial statements.

C. For partial contracts, the Group receives partial advance considerations from the customers at the signing of contracts. The Group shoulders the obligation of having to provide product sales afterwards. Prior to January 1, 2018, the advance considerations would be recognized as other current liabilities, and are now recognized as contract liabilities according to IFRS 15. The Group has reclassified NT$2,697,000 of other current liabilities as contract liabilities since January 1, 2018. Additionally, compared to the adoption of IFRS 18, other current liabilities have decreased by NT$4,398,000 and contract liabilities has increased by NT$4,398,000 as of December 31, 2018.

D. Prior to January 1, 2018, revenue from the Group's provision of management service would be recognized at the completion of service. After January 1, 2018, the aforementioned revenue would be recognized when the Group fulfills performance obligation when the committed service is transferred to the customer in accordance with IFRS 15. This does not pose any effect to the recognition of service revenue.

E. Additional required note disclosure in accordance with IFRS 15 can be found at Notes 4, 5, and 6.

(2) IFRS 9: Financial Instruments

IFRS 9 has replaced IAS 39, and the Group has chosen not to recompile the comparison period during the date of first-time adoption (i.e. January 1, 2018) in accordance with the rules on transitional treatment for IFRS 9. Effects from adoption of IFRS will be explained in the following:

A. Rules of IFRS 9 are adopted as of January 1, 2018, and IAS 39 was adopted prior to January 1, 2018. Please see Note 4 for explanations of the accounting policies.

B. Pursuant to rules on transitional treatment for IFRS 9, the business model was evaluated based on existing matters and condition as of January 1, 2018, and financial assets were reclassified to appropriate categories pursuant to IFRS 9. Classifications and book values of financial assets as of January 1, 2018 can be found at the table below:

IAS 39		IFRS 9	
Type of measurement	Carrying Amount	Type of measurement	Carrying Amount
Cost evaluation after amortization		Cost evaluation after amortization (including cash and cash equivalents, notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables)	$648,833
Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable, debt instrument investments without active market, and other receivables)	$648,833		

C. During transition from IAS 39 to IFRS 9 on January 1, 2018, changes in classification of financial assets and financial liabilities can be further denoted as the following:

IAS 39		*IFRS 9*			Retained earnings	Other equity
Accounting item	Carrying Amount	Accounting item	Carrying Amount	Differential	Adjustment	Adjustment
Loans and receivables (Note 1)						
Cash and cash equivalents	$274,672	Cash and cash equivalents	$274,672	$-	$-	$-
Debt instrument investments without active market	54,240	Financial assets measured at amortized cost	54,240	-	-	-
Notes receivable	531	Notes receivable	531	-	-	-
Accounts receivable	275,555	Accounts receivable	275,555	-	-	-
Other receivables	43,835	Other receivables	43,835	-	-	-
Total	$648,833	Total	$648,833	$-	$-	$-

Note:

1. Pursuant to IFRS 39, for the Group's classifications of loans and receivables, the characteristics of their cash flow are in line with the interest paid solely on the principal and the outstanding principal. Based on existing matters and conditions as of January 1, 2018, since the business model receives cash flow from contracts and meets the regulations for measurement of cost after amortizations; furthermore, since the impairment test on the aforementioned assets based on IFRS 9 on January 1, 2018 did not produce any difference, hence, there was no impact to the book value on January 1, 2018, and only the debt instrument investments without active market of NT$54,240,000 was reclassified as financial assets measured at amortized cost.

D. Note disclosure in accordance with IFRS 7 and IFRS 9 can be found at Notes 4, 5, and 6, and 12.

(3) Disclosure Initiative (Amendments to IFRS 7 - Statement of Cash Flows)

Information on adjustments from beginning to end is added for fundraising activities related to the Group's liabilities. Please see Note 12 for related disclosures.

2. The Group has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	IFRS 16 - Leases	January 1, 2019
2	IFRIC 23 - Uncertainty over Income Tax Treatment	January 1, 2019
3	IFRS 28 - Investments in Associates and Joint Ventures	January 1, 2019
4	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
5	Enhancements of the IFRS from 2015 to 2017	January 1, 2019
6	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(1) IFRS 16 - Lease

On top of meeting and selecting assets short-term lease or lowest-pricing objective in a lease, this new standard also requires the lessee to adopt a single accounting model for all leases, i.e. recognition of right-of-use asset and lease liabilities will be recognized in the balance sheet, while the comprehensive income statement will recognize depreciation expense and interest expense related to the lease. Additionally, lease from lessor is still classified as operating lease and financing lease; nevertheless, more relevant information disclosure is required.

(2) IFRIC 23 - Uncertainty over Income Tax Treatments

This interpretation provides guidance on how to apply the recognition and measurement of IAS 12 - Income Taxes, when there is uncertainty about the resulting tax treatment.

(3) Amendments to IAS 28 - Investments in Associates and Joint Ventures

These amendments clarify that a company's long-term interest in a portion of a joint venture or a joint venture's net investment should be applied to IFRS 9 prior to the application of IAS 28. Moreover, any adjustments resulting from the application of IAS 28 are not considered when IFRS 9 is applied.

(4) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

These amendments allow financial assets with an early repayment characteristic (allowing one contractual party to pay or receive reasonable compensation to terminate the contract early), which can be measured at amortized cost or measured at fair value through other comprehensive income (loss).

(5) Improvements of the IFRS from 2015-2017

IFRS 3 - Business Combinations

This amendment clarifies that when a company has joint control over its joint operations, it's previously held interest in the joint operations shall be remeasured when it obtains control of the business.

IFRS 11 - Joint Arrangements

This amendment clarifies that a company that is engaged in joint operations but does not have joint control should not measure its previously held interest in its joint operations when it obtains joint control of the business.

IAS 12 - Income Tax

This amendment clarifies that a company should recognize the income tax results of the dividends recognized in the same place, based on its prior recognition of past transactions or events in profit or loss, other comprehensive income, or equity.

IAS 23 - Borrowing Costs

This amendment clarifies that when the asset of a company becomes available for its intended use or sale, a company should treat borrowing specifically taken out to acquire the asset in the form of a general loan.

(6) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

These amendments clarify that when modifications are made to a defined benefit plan (e.g. amendments, reductions or settlements), a company should use the updated assumption to remeasure its net defined benefit liabilities or assets.

The aforementioned standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, amended, standards or interpretations, except for the following evaluation on the impacts from the aforementioned (1), the rest of the newly announced, revised, and amended standards or interpretations have not had material impacts on the Group:

(1) IFRS 16 - Lease

IFRS 16 has replaced IAS 17 - Leases, IFRIC Interpretation 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases-Incentives, and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The impact of IFRS 16 on the Group is as follows:

A. For definition of lease, pursuant to transitional treatment of IFRS 16, the Group has chosen not to re-evaluate whether contracts are (or include) leases on the date of first-time adoption (i.e. January 1, 2019). The Group has applied the lease contracts identified during adoption of IAS 17 and IFRIC 4 to IFRS 16. Then, contracts that were identified as excluding lease during adoption of IAS 17 and IFRIC 4 were identified as inapplicable for IRFS 16.

The Group as lessee, is applicable for the transitional treatment of IFRS 16, and has chosen not to recompile the comparison information, and cumulative effects during first-time adoption on January 1, 2019 was used as adjustments to the beginning balance of retained earnings on the first day of adoption.

(a) Leases classified as operating lease

The Company and its subsidiaries are expected to measure and recognize lease liabilities on January 1, 2019 for the leases classified as operating lease during adoption of IAS 17 based on the present value of lease benefits balance (discounted using the lessee's incremental borrowing rate as of January 1, 2019). Additionally, the carrying amounts of right-of-use asset will be used to measure and recognize right-of-use assets on the basis of individual leases, as the IFRS 16 has been applied from the beginning, in which the discounted borrowing rate of the lessee will be used on January 1, 2019.

On January 1, 2019, the Company's right-of-use asset is expected to increase by NT$1,420,528,000 on January 1, 2019; lease liabilities will increase by

NT$1,472,520,000 and the NT$51,992,000 difference will be adjusted to retained earnings.

On January 1, 2019, right-of-use asset in subsidiary - Ivy Biotechnology Co., Ltd., is expected to increase by NT$90,269,000; lease liabilities will increase by NT$94,572,000 and the NT$4,303,000 difference will be adjusted to retained earnings.

B. Pursuant to IFRS 16, additional relevant disclosures on lessee and lessor will be made.

3. 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) and have been approved by the FSC as either newly announced, amended, standards or interpretations:

Item	Newly announced/amended/revised standard and interpretation	Effective date from IASB
1	Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending resolution from the IASB
2	IFRS 17 - Insurance Contracts	January 1, 2021
3	Definition of a business (Amendments of IFRS 3)	January 1, 2020
4	Definition of material (Amendments of IAS 1 and IAS 8)	January 1, 2020

(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, a full gain or loss should 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, wherein the performance obligation cash flow includes:

1. Estimates of future cash flow
2. Discount rate: reflects the time value of money and adjustments for financial risks related to future cash flow (which are not included in the estimate of future cash flows); and
3. Adjustments for non-financial risks

The carrying amount of the insurance contract group at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred.

In addition to the general model, the standard also provides:

1. Specific application (variable fee method) for direct participation in specific contracts
2. Simplification of short-term contracts (premium sharing method)

(3) Definition of business (Amendments of IFRS 3)

These amendments clarify IFRS 3 - Business Combinations to improve the definition of a business. The amendments will help companies to identify whether the transaction should be handled as a business consolidation or as acquisition of asset. IFRS 3 will continue to adopt market participant's view point in deciding whether an activity or

asset combination acquired is a business, including clarifying the minimum requirement of a business, adding guidance to help companies to evaluate whether the acquisition process is substantial, and reducing definition of business and production.

(4) Definition of material (Amendments of IFRS 1 and IFRS 8)

The amendments can be attributable to the redefinition of material information as: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These amendments clarify that materiality is based on the nature of the information, and a company shall see whether information is material on its own or when consolidated with other information in the financial statements. If it can be reasonably expected to influence the decisions that the primary users of the financial statements make, then misstatement of information will be material.

For the aforementioned standards or interpretations announced by the IASB but have not yet 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.

IV. Explanations of major accounting policies

1. Declaration of compliance

The Group's 2018 and 2017 Consolidated Financial Statements are prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) as approved and announced by the Financial Securities Committee (FSC).

2. 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 Dollar (NT$1,000).

3. Overview of consolidation

Principles of preparing the Consolidated Financial Statements

When the Company is exposed to the varied remunerations participated by the investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the controlling is achieved. The Company will only have control over the investee when the following three criteria of control have been met:

(1) Right over the investee (i.e. existing right granted to the investor to lead relevant activities)
(2) Risk exposure or right to variable compensations from participation in investees, and
(3) Capability to effect monetary compensations for investors by using its influence and right over the investee.

When the Company directly or indirectly holds minority voting rights or other similar rights in an investee, the Company will consider all relevant facts and conditions to evaluate whether it has rights over the investee, including:

(1) Contractual agreements with other holders of voting rights over the investee
(2) Rights arising from other contractual agreements
(3) Voting rights and potential voting rights

When facts and conditions indicate that changes to one or more of the following criteria for control have occurred, the Company will immediately re-evaluate whether it still has control over the investee.

Starting from the acquisition date (when the Company obtains control), the subsidiary will be completely included in the Consolidated Financial Statements until the control over the subsidiary is lost. The accounting cycle and accounting policy of the subsidiary's financial statements will follow those of the parent company. All balances and transactions in the Group and unrealized internal gains and losses arising from internal transactions within the Group and dividends will be completely written off.

If control over the subsidiary is not lost, changes in shares held in the subsidiary will be treated as equity transactions.

A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the

process.

If the Company's control over the subsidiary is lost, then:

(1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
(2) Carrying amount of any non-controlling interests will be derecognized;
(3) Fair value of the considerations acquired will be recognized;
(4) Fair value of any retained investments will be recognized;
(5) Any gains or losses will be recognized as income or loss in the period;
(6) Amounts recognized in other comprehensive income by the parent company will be reclassified as gains or losses in the period.

The consolidated entities are listed as follows:

Name of investing company	Name of subsidiary	Nature of business	Shareholding ratio (%)		
			2018.12.31	2017.12.31	Explanation
The Company	Ivy Biotechnology Co., Ltd.	Wholesale and retail	100%	100%	None
The Company	Bai-Lin Logistics Co., Ltd.	Wholesale and retail	100%	100%	None
Ivy Biotechnology Co., Ltd.	Da Yu Property Management Co., Ltd.	Real estate sales and lease	60%	60%	None

4. Foreign the currency transaction

The functional currency of the Group's Consolidated Financial Statements is New Taiwan Dollar (NT$). Every entity within the Group will decide its own functional currency, and to measure its financial statements using said functional currency.

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

exchange rate of the date of the transaction.

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

(1) For foreign the currency loans that arise from acquisition of assets that meet the requirements, if the resulting exchange differences are treated as adjustments of the interest capital, which is a component of the cost of loans, they will be capitalized as the cost of the asset.

(2) For foreign the currency items applicable of IFRS 9 - Financial instruments (IAS 39 prior to January 1, 2018), they will be treated according to the accounting policy for financial instruments.

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

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

5. Standard of classifying assets and liabilities as current and 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 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 twelve 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 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 twelve months after the reporting period.
(4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve 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.

6. Cash and cash equivalents

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

7. Financial instruments

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

In accordance with the scope of application of IFRS 9 - Financial Instruments (IAS 39 prior to January 1, 2018), during initial recognition of financial assets and financial liabilities, they will be measured at fair value and the transaction costs directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities measured at fair value through profit or loss) are derived by addition or subtraction from the fair value of assets and financial liabilities.

(1) Recognition and valuation of financial assets

Accounting treatment as of January 1, 2018:

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

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

A. Business model used in managing the financial assets

B. Characteristics of the contractual cash flows from the financial asset

Financial assets measured at amortized cost

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

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

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

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

A. If it is a credit-impaired financial asset from acquisition or from founding, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets
B. If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

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

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

A. Business model used in managing the financial assets: financial asset is held to

receive contractual cash flows and for sale of financial asset

B. Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

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

A. Prior to derecognition or reclassification, except for impairment interest or loss, exchange gain or loss will be recognized in the profit or loss, and its gain or loss will be recognized in other comprehensive income (loss)

B. During derecognition, accumulated gain or loss recognized in other comprehensive income (loss) will be reclassified from equity to profit or loss as adjustments for reclassification

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

(a) If it is a purchased or originated credit-impaired financial asset, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets

(b) If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

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

Financial assets measured at fair value through profit or loss

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

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

Accounting treatment prior to January 1, 2018:

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

The Group's financial assets were classified as two types: financial assets measured at fair value through profit or loss, and loans and receivables. This classification is made during initial recognition of the financial asset based on its nature and purpose.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include those available-for-sale and designated at fair value through profit or loss.

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

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

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

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

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset (including dividend or interest received during the year when the investment was made).
If no offered price from an active market is present and the fair value cannot be reliably measured for these financial assets, they shall be measured at cost after subtracting any impairment loss at the closing day of the reporting period, and stated on the balance sheet as financial assets carried at cost.

Loans and receivables

Loans and accounts receivable refer to non-derivative financial assets without publicly offered price from active market, and are either fixed or the amount receivable can be decided, and shall also satisfy the following conditions: have not be classified as fair value measurement through profit or loss, have not been designated as available-for-sale, and have not had conditions where the holder may not be able to recover almost all of the original investments due to factors other than credit impairment.

These financial assets are separately stated in the balance sheet as accounts receivable and debt instrument investments without active market. After initial measurement, they will be valued through effective interest method, or amortized cost deducting any impairment. The calculation of the amortized cost will factor into discount or premium and transaction cost during acquisition. Amortization through effective interest method will be recognized in profit or loss.

(2) Impairments of Financial Assets

Accounting treatment as of January 1, 2018:

For the debt instrument investment measured at fair value through other

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

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

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

Method for valuating allowance for loss is as follows:

A. Measure the expected credit loss over the next 12 months: including financial asset without significant increase in credit risk after initial recognition, or those ruled to have low credit risk on the date of the balance sheet. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.

B. Measurement of the amount of lifetime expected credit losses: including financial asset with significant increase in credit risk after initial recognition or purchased or originated credit-impaired financial asset with credit impairment.

C. For accounts receivable or contractual asset arising from transactions within the scope of IFRS 15, the Group adopts lifetime expected credit loss to measure allowance for loss.

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

Accounting treatment prior to January 1, 2018:

Besides financial assets measured at fair value through profit or loss, other financial assets are measured for impairment on the last day of each reporting period. When any there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably. Except for accounts receivable, where the allowance account will be reduced accordingly, all other decreases in the carrying amount of financial assets will be directly reduced in the carrying amount, and the loss will be recognized in the profit or loss.

When the fair value of available-for-sale equity investment is lower than cost and a significant or permanent depreciation has occurred, a loss will be recognized.

Other losses on financial assets may include:

A. The issuer or the counterparty has material financial difficulties; or
B. Breach of contract, such as delay or non-payment of interest or principal payment; or
C. The debtor is likely to go bankrupt or undergo other financial restructuring; or
D. Active market of the financial asset may disappear as a result of financial difficulties experienced by the issuer.

For loans and accounts receivable, first of all, the Group would separately evaluate whether objective evidence for impairment exists for material individual financial asset, and individual non-material financial assets would be evaluated as a group. If objective evidence that proves no impairment exists for individually evaluated financial assets, whether material or otherwise, financial assets with similar credit risk characteristics will be grouped and evaluated for impairment as a group. If objective evidence for impairment loss exists, the measurement of impairment will be decided based on the differential between the carrying amount of the asset and the present value of the expected future cash flow. The present value (PV) of the expected future cash flow refers to the discounted original effective interest rate of the asset. Nevertheless, if the loan is measured at a floating rate, the discount rate used in measuring impairment loss will be the current effective interest rate. Interest income is based on the reduced carrying amount of the asset and is continuously estimated using the discount rate of cash flows used to calculate the impairment loss.

When it is expected that accounts receivable cannot be realized in the future, accounts receivable and related allowance item should be written off. During the subsequent year after recognition of impairment loss, if the amount of the expected impairment loss increases or decreases due to the occurrence of an incident, the allowance item will be adjusted to increase or decrease the recognized impairment loss. If recovery is made after the write-off, then the recovery will be recognized in the profit or loss.

(3) Derecognition of financial asset

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

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

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Hybrid instruments

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

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Group do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments (i.e. IAS 30 before January 1, 2018).

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

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

Financial liabilities

In accordance with the scope of application of IFRS 9 - Financial Instruments (IAS 39 prior to January 1, 2018), during initial recognition of financial liabilities, they will be either classified as financial liabilities measured at fair value through profit and loss or financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

Prior to January 1, 2018, if no offered price from an active market is present and the fair value cannot be reliably measured for these financial liabilities, they shall be measured at cost after subtracting any impairment loss at the closing day of the reporting period, and stated on the balance sheet as financial liabilities carried at cost.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and financial liabilities

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

8. Fair value measurement

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

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

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

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

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

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

9. Inventory

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

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

Raw materials and commodities - The weighted average method is used for the actual purchase cost.
Goods in progress and finished goods - including direct raw materials and manufacturing costs; weighted average is adopted.

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

Starting from January 1, 2018, provision of labor is treated in accordance with IFRS 15 and is not counted toward the inventory.

10. Property, plant, and equipment

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

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

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

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

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

11. Lease

The Group is the lessee

Lease benefits under operating lease will be recognized as expense under the straight-line method during the lease period.

The Group is the lessor

All substantial risks and remuneration of the ownership of the leased items not transferred by the Group will be classified as operating lease. The initial direct cost arising from the arrangement of the operating lease is an addition to the carrying amount of the leased asset, and is recognized on the same basis as the rental revenue over the lease term. Rental revenue arising from operating lease will be recognized using the straight-line method during the lease term. Contingent rent will be recognized as revenue during the period in which rent will be available.

12. Intangible asset

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

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

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

Intangible assets with indefinite useful life will not be amortized; however, impairment test shall be conducted based on individual asset or cash-generating unit level in each year. Intangible asset with indefinite useful life will be expected in each term for whether matters

and conditions continue to support its indefinite useful life. If the useful life is changed from indefinite to finite, applicability will be deferred.

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

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

	Computer software
Useful life	1~5 years
Amortization method used	Straight-line amortization during the expected useful life
Internally-arising or acquired externally	Acquired externally

13. Non-monetary impairment

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

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

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

14. Revenue recognition

Accounting treatment as of January 1, 2018:

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

Sale of goods

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

Retail customers of the Group have the right to enjoy discount during future purchase with the points they collect. When points are collected from customer use or when the points expire one year after the initial sales, revenue from the points given will be recognized, and relevant contractual liability will be adjusted accordingly.

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

Provision of service

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

Accounting treatment prior to January 1, 2018:

Revenue is recognized when economic benefits are very likely to flow into the Group and amounts can be reliably measured. Revenue is measured by fair value through the considerations already received or are receivable. The conditions and methods for recognizing various revenues are as follows:

Sale of goods

Revenue from sale of goods will be recognized when all of the following conditions have been met: material risks and compensations associated with ownership of the product have been transferred to the buyer, no continued participation in management nor is effective control maintained for goods that are sold, considerations of revenue can be reliably measured, economic benefits related to the transaction are highly likely to flow into the Group, and costs related to the transaction can be reliably measured.

The Group distributes the fair value of the sale of goods received to the goods sold and customer loyalty program for the sale of goods transaction that has provided the customer with the loyalty program. The fair value of the customer loyalty program can be separately measured in considering the allocation of the corresponding amount to the loyalty program. Revenue allocated to customer loyalty program should be deferred, and revenue should be recognized when the customer exchanges the points toward the program.

Provision of service

Service revenue of the Group mostly come from provision of management service. Revenue will be recognized at service completion.

Interest revenue

The interest revenue of financial assets measured at amortized costs (including loans and accounts receivable and held-to-maturity financial assets) and financial assets available-for-sale, shall be estimated through effective interest method, and the interest revenue will be recognized in profit or loss.

15. Retirement pension plan

The Company and its domestic subsidiaries' employee retirement method is applicable for all formal employees. The full amount of employee pension fund is managed by the Labor

Retirement Reserve Supervisory Committee, and deposited in designated pension fund. Since the aforementioned pension is deposited under the name of the Labor Retirement Reserve Supervisory Committee, and completely separate from the Company and its subsidiaries, it is not included in the above Consolidated Financial Statements.

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

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

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

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

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

16. Share-based payment transaction

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

The cost of the equity-settled share-based payment transaction is gradually recognized when service terms and performance conditions are met, and when the equity recognized by the counterparty increases. The accumulated expense from equity-settled share-based payment transactions before the end of every reporting period before the vesting date, is a reflection on the passing of the vesting period at the best estimate from the Group for the number of

equity instruments that the Group will ultimately own. At the beginning and end of each reporting period, the cumulative cost changes recognized for the share-based payment transactions will be recognized in profit or loss for the period.

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

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

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

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

17. 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

Current income tax

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

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

Deferred income tax

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

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

(1) Initial recognition of goodwill; or the initial recognition of an asset or liability not arising from a business combination transaction and does not affect accounting profits or taxable income (loss) at the time of the transaction;

(2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

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

(1) Deductible temporary difference arising from business combination with a non-affiliate, and is related to initial recognition of assets or liabilities that do not affect accounting profit or loss of taxable income (loss) at the time of transaction;

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

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the tax rates and tax laws that have been enacted in the legislative or substantive legislation at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be

recovered or the carrying amount of the liability is settled at the end of the reporting period. The deferred income tax that is related to items not recognized in profit or loss will also not be recognized in profit or loss. It will be recognized in other comprehensive income (loss) or directly recognized in equity based on its related transaction. Deferred tax assets shall be reviewed and recognized at the end of each reporting period.

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

V. The 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.

Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) Accounts receivable - estimates on impairment loss

Starting from January 1, 2018

The Group's estimate of impairment loss for receivables is measured by the amount of

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

Before January 1, 2018

When objective evidence indicates signs of impairment, the consolidated company shall take estimate of future cash flow into account. Impairment loss shall be measured as the difference between the carrying amount of the asset and the estimated future cash flow (excluding future credit loss that has yet to be incurred) based on the initial effective discounted present value of the financial asset. However, the discounted effect of short-term receivables is not significant, and the impairment loss shall be measured as the difference between the carrying amount of the assets and the undiscounted estimated future cash flows. If the actual cash flow in the future is less than the estimate, there may be material impairment loss. Please see Note 6 for details.

(3) Inventory

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

(4) Retirement pension plan

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

(5) Share-based payment transaction

Cost of equity settlement transaction between the Group and our employees are measured by the fair value of the equity instrument on the grant date. When estimating the fair value of the share-based payment transaction, the best pricing model should be determined based

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

(6) Income tax

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

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

VI. Explanations of significant accounting items

1. Cash and cash equivalents

	2018.12.31	2017.12.31
Cash in treasury and petty cash	$5,048	$3,936
Cheques and demand deposit	558,613	257,116
Fixed deposit	70,000	13,620
Total	$633,661	$274,672

2. Financial assets measured at amortized costs

	2018.12.31	December 31, 2017 (Note)
Restrictive fixed deposit	$24,000	
Fixed deposit	3,000	
Less: allowance for loss	-	
Total	$27,000	
Current	$24,000	
Non-current	$3,000	

Note: The Group has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

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

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

3. Debt instrument investments without active market

	December 31, 2018 (Note)	2017.12.31
Restrictive fixed deposit		$24,000
Fixed deposit		30,240
Total		$54,240
Current		$51,240
Non-current		$3,000

Note: The Group has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

The Group classified certain financial instrument as debt instrument investments without active market pursuant to IAS 39 prior to January 1, 2018. The aforementioned debt instrument investment has not had conditions of endorsement/guarantee.

4. Notes receivable, net

	2018.12.31	2017.12.31
Notes receivable - from operating activities	$2,072	$531
Less: allowance for loss	-	-
Total	$2,072	$531

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

The Group has adopted IFRS 9 in valuation of impairment as of January 1, 2018. Please see Note 6 for information on allowance for loss. 19, Please see Note 12 for information on credit risk.

5. Net accounts receivable

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

	2018.12.31	2017.12.31
Total accounts receivable	$348,236	$275,838
Less: allowance for loss	(342)	(283)
Net amount	$347,894	$275,555

(2) The aforementioned accounts receivable has not had conditions of endorsement/guarantee.

(3) The Group's credit line to customers is usually 120 days. The Group has adopted IFRS 9 in valuation of impairment as of January 1, 2018. Please see Note 6 for information on allowance for loss for year 2018. 19 IAS 39 was adopted for valuation of impairment prior to January 1, 2018. The information on the changes in bad debts and ageing analysis for the impairment of accounts receivable in year 2017 is as follows (please see Note 12 for credit risk disclosure):

	Separately evaluated impairment loss	Group-evaluated impairment loss	Total
2017.01.01	$-	$283	$283
Amount incurred (or	-	-	-

reversed) in the year			
Written off for unrecoverable reasons	-	-	-
2017.12.31	$-	$283	$283

(4) Ageing analysis of net accounts receivable is as follows:

		Overdue but not yet impaired accounts receivable		
	Not overdue and no impairment	31-180 days	More than 181 days	Total
2017.12.31	$275,126	$383	$46	$275,555

6. Inventory

(1) Net inventory is as follows:

	2018.12.31	2017.12.31
Work-in-progress	$1,743	$541
Inventory	714,912	511,507
Total	$716,655	$512,048

(2) The Group recognized inventory cost of NT$3,694,983,000 and NT$2,703,732,000 in 2018 and 2017 respectively, including the following expenses:

	2018	2017
Allowance for inventory valuation and obsolescence loss (gains on recovery)	$-	$(25)
Inventory scrap loss	3,256	1,480
Inventory loss	4,766	3,033
Total	$8,022	$4,488

Due to valuation of recognized allowance for inventory valuation and obsolescence loss of partial inventory scrap in 2017, the Group has recognized gains on recovery of inventory.

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

7. Property, plant, and equipment

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:						
2018.01.01	$15,346	$187,481	$221,867	$10,900	$760	$436,354
Acquisition	-	60,709	63,496	41,787	5,089	171,081
Disposal	(658)	(2,411)	(2,253)	(1,357)	-	(6,679)
Transfer	-	-	-	-	-	-
2018.12.31	$14,688	$245,779	$283,110	$51,330	$5,849	$600,756
2017.01.01	$12,872	$136,681	$163,713	$12,789	$-	$326,055
Acquisition	2,496	50,800	58,154	1,638	760	113,848
Disposal	(22)	-	-	(3,527)	-	(3,549)
Transfer	-	-	-	-	-	-
2017.12.31	$15,346	$187,481	$221,867	$10,900	$760	$436,354
Depreciation and impairment:						
2018.01.01	$9,823	$76,157	$64,349	$4,467	$-	$154,796
Depreciation	821	28,605	27,770	4,864	-	62,060
Disposal	(548)	(388)	(288)	(497)	-	(1,721)
Transfer	-	-	-	-	-	-
2018.12.31	$10,096	$104,374	$91,831	$8,834	$-	$215,135
2017.01.01	$9,069	$54,647	$42,838	$5,732	$-	$112,286
Depreciation	771	21,510	21,511	2,262	-	46,054
Disposal	(17)	-	-	(3,527)	-	(3,544)
Transfer	-	-	-	-	-	-
2017.12.31	$9,823	$76,157	$64,349	$4,467	$-	$154,796
Net carrying amount:						
2018.12.31	$4,592	$141,405	$191,279	$42,496	$5,849	$385,621
2017.12.31	$5,523	$111,324	$157,518	$6,433	$760	$281,558

Aforementioned property, plant, and equipment has not had conditions of endorsement/guarantee.

8. Intangible asset

	Computer software
Cost:	
2018.01.01	$4,912
Acquisition - separately acquired	5,635
Derecognized at the end of useful life	(851)
2018.12.31	$9,696
2017.01.01	$1,205
Acquisition - separately acquired	4,060
Derecognized at the end of useful life	(353)
2017.12.31	$4,912
Amortization and impairment:	
2018.01.01	$1,915
Amortization	5,571
Derecognized at the end of useful life	(851)
2018.12.31	$6,635
2017.01.01	$765
Amortization	1,503
Derecognized at the end of useful life	(353)
2017.12.31	$1,915
Net carrying amount:	
2018.12.31	$3,061
2017.12.31	$2,997

Amortization for recognition of intangible assets is as follows:

	2018	2017
Operating expenses	$5,571	$1,503

9. Other non-current assets

	2018.12.31	2017.12.31
Prepaid equipment	$18,250	$8,750
Refundable deposits	50,928	45,085
Long-term prepaid rent	6,432	-
Total	$75,610	$53,835

10. Short-term loans

	Range of interest rates (%)	2018.12.31	2017.12.31
Unsecured bank loan	1.25%	$-	$70,000

As of December 31, 2018 and 2017, the Group's unused short-term borrowing credits are NT$100 million and NT$310 million, respectively.

11. Financial liabilities measured at fair value through profit or loss

	2018.12.31	2017.12.31
Embedded derivative financial instruments		
Issuance of redemption rights for domestic convertible corporate bonds	$3,690	$-
Current	$-	$-
Non-current	3,690	-
Total	$3,690	$-

12. Other payables

	2018.12.31	2017.12.31
Expenses payable	$96,449	$71,084
Equipment payable	9,695	5,873
Total	$106,144	$76,957

13. Other current liabilities

(1) Details of other current liabilities are as follows:

	2018.12.31	2017.12.31
Prepaid sale of goods	Note	$295
Other current liabilities	$7,292	9,954
Deferred revenue - customer loyalty program	Note	2,402
Total	$7,292	$12,651

(2) Customer loyalty program

	2018 (Note)	2017
Beginning balance		$2,092
Added in the current period		2,065
Used in the current period		(818)
Expired in the current period		(937)
Ending balance		$2,402

	December 31, 2018 (Note)	2017.12.31
Current		$2,402
Non-current		-
Total		$2,402

Note: The Group has adopted IFRS 15 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 15.

14. Bonds payable

(1) Details of bonds payable are as follows:

	2018.12.31	2017.12.31
Elements of liability:		
Nominal amount of domestic convertible bond payable	$300,000	$-
Less: discount on domestic convertible bond payable	(13,431)	-
Sum	286,569	-
Less: portion maturing within 12 months	-	-
Net amount	$286,569	$-
Embedded derivative financial instruments - redemption rights	$3,690	$-
Equity element - conversion rights	$10,001	$-

Please Note 6 for valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds. 22

(2) The Company has issued the first batch of unsecured convertible bonds on June 12, 2018 with the following issuance terms:

(A)	Total issuance:	NT$300 million
(B)	Date of issuance:	107.06.12
(C)	Issued price:	Issuance at par
(D)	Coupon rate:	0%
(E)	Duration:	June 12, 2018~June 12, 2021
(F)	Repayment at maturity:	Unless the bondholders convert into ordinary shares of the company in accordance with Article 10 of the present Procedures, or exercise the right of selling under Article 19 of the present Procedures, or the Company redeems in advance or exercise redemption at securities firm in accordance with Article 18 of these Procedures, the Company will repay the converted bonds held by bondholders in cash in accordance with the denomination of the bonds when the Company's conversion of bonds expires.
(G)	Conversion period:	Starting from the day after the 3-month period of issuance of this convertible bond (September 13, 2018) to the date due (June 12, 2021), except for (1)

stock transfer is halted pursuant to applicable laws; (2) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for capital increase, until the base date for right distribution, (3) capital reduction base-date to one day before the capital reduction in issuance of shares, the creditor may at any time request the Company to convert the convertible bond into ordinary shares of the Company in accordance with the provisions of the present Procedure.

(H) Conversion price and adjustments: The price of conversion was set at NT$90.8 per share during issuance. In the event of an adjustment of the conversion price of the Company's ordinary share conversion rights or stock options in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance.

Due to capital increase and surplus transfer in 2018, the Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, from July 19, 2018, the conversion price was adjusted from NT$90.8 to NT$79.8.

(I) The Company's redemption rights: (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to forty days before the expiration of the issuance period (May 3, 2021). When the closing price of the stock 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 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 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 in five business days after the bond recovery base date.

(1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to forty days before the expiration of the issuance period (May 3, 2021). 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 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 in five business days after the bond recovery base date.

(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 on the maturity date at nominal value.

(J) Puttable rights of bondholders: The base date for selling the convertible bonds back in advance is the two-year issuance date (June 12, 2020) of the convertible bonds. (1) Forty days before the base date (May 3, 2021) of put option, the Company may send a “puttable right notification" to the bondholder by registered mail. (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "puttable option notification," 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 in five business days after the bond recovery base date. Creditor can reply to the Company's share transfer agency before the bond puttable option date denoted on the "puttable right notification" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), and request the Company to redeem the bonds held in cash by using the bond denomination plus interest compensation (101.0025% of the bond denomination for the two years, or substantial rate of return 0.50%). After accepting the puttable option request, the Company shall redeem the bond in cash within five business days after the puttable option date. If the Taipei Exchange is not in operation, the above date will be postponed to the next business day.

15. Retirement pension plan

Defined allocation plan

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

The Group recognized defined allocation expense of NT$18,556,000 and NT$14,591,000 in 2018 and 2017 respectively.

Defined benefit plan

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

The Bureau of Labor Funds, Ministry of Labor, Executive Yuan, undertakes asset allocations based on the income and expenditure of the employee retirement fund. Investment of the fund is invested in self-operated and entrusted management methods, and adopts active and passive management medium- to long-term investment strategies. The Bureau of Labor Funds takes risks including market, credit, and liquidity into consideration in setting limits and control plan for the fund so that adequate flexibility can be used toward the compensation objective without excessive risk. As of December 31, 2018, the Company's defined benefit plan is expected to allocate NT$43,000 within the following year.

As of December 31, 2018 and December 31, 2017, the Company's defined benefit plan is expected to be realized by years 2036 and 2034.

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

loss:

	2018	2017
Current service cost	$-	$-
Net interest from net defined benefit assets (liabilities)	56	62
Total	$56	$62

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

	2018.12.31	2017.12.31	2017.01.01
Present value of the defined benefit obligations	$7,048	$6,538	$6,198
Fair value of plan assets	(3,355)	(3,015)	(2,764)
Other non-current liabilities - net defined benefit liabilities recorded	$3,693	$3,523	$3,434

Adjustments to the net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
2017.01.01	$6,198	$(2,764)	$3,434
Current service cost	-	-	-
Interest expense (income)	112	(50)	62
Past service cost and settlement gain or loss	-	-	-
Sum	6,310	(2,814)	3,496
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	61	-	61
Actuarial gains or losses from financial assumptions	209	-	209
Experience-based adjustments	(42)	-	(42)
Remeasurement of defined benefit assets	-	22	22

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
Sum	228	22	250
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2017.12.31	6,538	(3,015)	3,523
Current service cost	-	-	-
Interest expense (income)	104	(48)	56
Past service cost and settlement gain or loss	-	-	-
Sum	6,642	(3,063)	3,579
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	504	-	504
Experience-based adjustments	(98)	-	(98)
Remeasurement of defined benefit assets	-	(69)	(69)
Sum	406	(69)	337
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2018.12.31	$7,048	$(3,355)	$3,693

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

	2018.12.31	2017.12.31
Discount rate	1.16%	1.60%
Expected rate of salary increase	2.00%	2.00%

Sensitivity analysis of every material actuarial assumption:

	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.5% increase in discount rate	$-	$567	$-	$511
0.5% decrease in discount rate	667	-	609	-
0.5% increase in expected salary	658	-	603	-
0.5% decrease in expected salary	-	565	-	511

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

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

16. Equity

(1) Common Stock

As of December 31, 2018 and December 31, 2017, the Company's authorized share capital is NT$600 million and has issued NT$365,516 thousand and NT$305,015 thousnad in shares respectively. Each share has a par value of NT$10, and 36,551 thousand shares and 30,501 thousand shares were issued respectively. Each share has one voting right and right to receive dividend.

On March 9, 2018, the Company's Board of Directors' meeting has approved the capital increase of NT$30 million at the issued price of NT$62 per share. July 19, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$335,015 thousand with par value of NT$10 at 33,501 thousand shares.

On June 29, 2018, the Company's Annual Shareholders' Meeting has approved the capital increase of NT$30,501 thousand. Upon approval from the Board of Directors, August 9, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$365,516 thousand with par value of NT$10 at 36,551 thousand shares.

(2) Capital surplus

	2018.12.31	2017.12.31
Share premium of ordinary shares	$421,308	$265,308
Employee stock options	2,928	2,952
Stock options	10,001	-
Expired stock options	1,562	1,279
Total	$435,799	$269,539

According to the law, the capital reserve shall not be used except to make up for 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 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 competent authority. The remainder of which and any accumulated retained earnings 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.

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:

1. The Company will appropriate no less than 10% of the aforementioned distributable net income as shareholders' bonus. Nevertheless, when distributable net income is less than 10% of the paid-in capital, the Company may propose not to appropriate any bonus.

2. In consideration of a balanced and stable dividend policy, the Company will appropriate either share or cash dividend accordingly. Appropriations of cash dividend shall be no less than 10% of the annual total dividends.

C. Legal capital reserve

Pursuant to the Company Act, legal capital reserve shall be appropriated until the total sum of which has reached the paid-in capital. Legal capital reserve shall be used toward making up for deficit. When the Company does not have past deficits, the Company pay 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

After adoption of the IFRS, pursuant to Directive Letter No. 1010012865 from the FSC, during first-time adoption, on the conversion date, the Company's conversion adjustment of unrealized revaluation increment and cumulative conversion adjustment to the retained earnings portion due to adoption of IFRS 1 - First-time Adoption of IFRS' exemption item granted the Company the option of appropriating the same amount of special capital reserve. After adoption of IFRS in preparing financial statements, 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. Subsequently, if other shareholders' equity deduction has reversed, the reversal shall be applicable to earnings distribution.

The Company has not had conditions where special capital reserve appropriation has occurred due to first-time adoption of IFRS.

E. During the Company's Board of Directors' Meeting on March 28, 2019, and Annual Shareholders' Meeting on June 29, 2018, the appropriations of net income for 2018 and 2017 have been separately proposed and approved with the following details:

	Appropriation of net income		Dividends per share (NT$)	
	2018	2017	2018	2017
Legal capital reserve	$10,600	$10,242		
Cash dividends for ordinary shares	47,517	54,902	$1.3	$1.8
Stock dividends for ordinary shares	47,517	30,501	1.3	1.0
Total	$105,634	$95,645		

Please see Note 6.21 for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors.

F. Non-controlling interests

	2018.12.31	2017.12.31
Beginning balance	$1,940	$-
Added in the current period	22,000	2,000
Net profit attributable to non-controlling interests in this period	(23)	(60)
Ending balance	$23,917	$1,940

17. Share-based payment plan

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

Employee share-based payment plan

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 1,000 units of employee stock options on September 12, 2014. 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 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$)
2014.10.01	835	32.91
2014.11.01	113	32.91

(1) The following pricing model and assumptions are used toward the share-based payment plan granted in 2014:

	2014
Expected fluctuation rate (%)	23.38%-24.37%
Risk-free interest rate (RFR) (%)	1.12%-1.316%
Expected year of 100% stock subscription (year)	5
Weighted-average stock price (NT$)	40.48
Pricing model used	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 options plan issued in 2018 and 2017:

	2018		2017	
	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	614	$32.91	948	$36.66
Stock options granted in the current period	-	-	-	-
Stock subscriptions in the current period	-	-	-	-
Stock options expired in the current period	(57)	-	(334)	-
Outstanding stock options on December 31	557	32.91	614	36.66
Executable stock options on December 31	334		368	

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 December 31, 2018 and December 31, 2017:

	Execution price	Weighted-average remaining duration (year)
Outstanding stock options on December 31, 2018	$32.91	0.75 years
Outstanding stock options on December 31, 2017	$36.66	1.75 years

(4) The Company's recognition of employee share-based payment expenses in 2018 and 2017 are as follows:

	2018	2017
Recognized expenses due to share-based payment transactions (All are equity delivery share-based payment)	$259	$600

18. Operating revenue

	2018 (Note)	2017
Revenue from customer contracts		
Revenue from sale of goods	$4,862,367	$3,562,012
Revenue from provision of service	38,362	61,722
Total	$4,900,729	$3,623,734

Note: The Group has adopted IFRS 15 in treatment of revenue from customer contracts as of January 1, 2018.

The Group has adopted IFRS 15 in treatment of revenue from customer contracts as of January 1, 2018. Information on revenues from customer contracts is as follows:

(1) Breakdown of revenue

	Single department
Sales revenue	$4,862,367
Service revenue	38,362
Total	$4,900,729
Timing of revenue recognition:	
At a fixed point in time	$4,900,729

(2) Contract balance

A. Contract liability - current

	Beginning balance	Ending balance	Differential
Sale of goods	$295	$598	$303
Customer loyalty program	2,402	3,800	1,398
Total	$2,697	$4,398	$1,701

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

	Sale of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	$(124)	$(1,901)
Estimated increase in advance payment in the current period	427	3,299

19. Estimated credit impairment loss (benefit)

	2018	2017
Operating expense - estimated credit impairment loss		
Accounts receivable	$59	

Note: The Group has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

Please see Note 12 for information on credit risk.

(1) The Group's receivables (including notes receivable and accounts receivable) take into account factors including credit worthiness of the counterparty, regional and industrial factors, and use the expected credit loss amount during the lifetime to measure the allowance loss. Information for assessing the amount of allowance for loss in 2018 is as follows:

	Not overdue	Days overdue		
	(Note)	31-180 days	More than 181 days	Total
Total carrying amount	$350,160	$124	$24	$350,308
Rate of loss	0.07%	57%	100%	
Expected lifetime credit loss	(248)	(70)	(24)	(342)
Carrying Amount	$349,912	$54	$-	$349,966

(2) Information on the changes in allowances for notes receivable and accounts receivable of the Group for 2018 is as follows:

	Notes receivable	Accounts receivable
Beginning balance (in accordance with IAS 39)	$-	$283
Beginning adjustment of retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	283
Increase in the period	-	59
Ending balance	$-	$342

20. Operating lease

(1) The Group is the lessee

The Group has signed commercial lease contracts for storefronts and automobiles with an average life of 1 to 18 years and has the right to renew the lease. There are no restrictive covenants on the Group in these contracts.

Based on the non-cancelable operating lease contracts, the total future minimum lease payments for 2018 and 2017 are as follows:

	2018	2017

	2018	2017
Less than 1 year	$206,901	$168,453
More than 1 but no more than 5 years	791,175	598,756
More than 5 years	704,026	533,510
	$1,702,102	$1,300,719

Recognition of operating lease expenses is as follows:

	2018	2017
Minimum rental lease payment	$195,095	$153,727

(2) The Group is the lessor

The storefront lease contracts the Group has signed all have a balance of less than one year. All tenancy agreements include clause that stipulates rent can be adjusted based on the current market conditions in each year.

Based on the operating lease contracts, the future minimum rent payment from lessees on December 31, 2018 and December 31, 2017 are as follows:

	2018.12.31	2017.12.31
Less than one year	$39,575	$45,969

The Group recognized the following lease revenue:

	2018	2017
Rental revenue recognized	$44,322	$46,103

Some lease contracts after the Company rents a property. Below rental costs were recognized as deductions to rental revenue:

	2018	2017
Recognized as deduction to rental revenue	$34,230	$32,133

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

Function / Characteristic	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	$-	$337,008	$337,008	$-	$262,758	$262,758
Labor and health insurance expenses	-	36,930	36,930	-	29,085	29,085
Pension expenses	-	18,612	18,612	-	14,653	14,653
Other employee benefit expenses	-	30,489	30,489	-	23,348	23,348
Depreciation expenses	-	62,060	62,060	-	46,054	46,054
Amortization expenses	-	5,571	5,571	-	1,503	1,503

The Company's Articles of Incorporation provide that if there is profit in the year, 3 to 10 percent 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/Supervisors by 3% and 0.89% respectively based on profitability conditions. Employee compensation and remunerations of the Directors and Supervisors recognized in 2018 were NT$4,071,000 and NT$1,208,000 respectively. Employee compensation and remunerations of the Directors and Supervisors recognized in 2017 were NT$3,715,000 and NT$1,102,000 respectively. The aforementioned amounts were recorded under compensation expenses. If the Board of Directors approves of appropriation of share-based employee bonus, the closing price on the date before the Board's resolution will be used as the basis of the share distribution. If difference is found between the estimate and the actual distributions after the Board's approval, the difference will be recorded as profit or loss in the subsequent year.

On March 28, 2019, he Company's Board approved of distribution of cash-based employee

compensation and remunerations of the Directors and Supervisors for 2018 of NT$4,071,000 and NT$1,208,000 respectively. No material difference is found between the actual distributions and the expenses recognized on the 2018 financial statements.

Actual distribution of employee compensation and remunerations of the Directors and Supervisors in 2017 had no material difference from the expenses recognized in financial statements.

22. Non-operating revenue and expenses

(1) Other income

	2018	2017
Interest revenue	$1,431	$1,009
Rental revenue	10,092	13,970
Other revenue - others	4,867	3,060
Total	$16,390	$18,039

(2) Other profits and losses

	2018	2017
Gain (loss) from disposal of property, plant and equipment	$(482)	$(5)
Net exchange gain (loss)	418	(2,235)
Investment disposal gain (loss)	-	16
Financial liability gains and losses measured at fair value through profit or loss	(2,250)	-
Other losses	(334)	(42)
Total	$(2,648)	$(2,266)

(3) Finance costs

	2018	2017
Interest from short-term loans	$428	$217
Interest expense from corporate bonds	2,986	-
Total	$3,414	$217

23. Components of the other comprehensive income (loss)

Components of the other comprehensive income (loss) for year 2018 include the following:

Items that will not be reclassified to profit or loss:	Arising in the current period	Reclassification and adjustment in the current period	Sum	Tax benefits (expenses)	After-tax amount
Remeasurement of defined benefit plans	$(337)	$-	$(337)	$-	$(337)

Components of the other comprehensive income (loss) for year 2017 include the following:

Items that will not be reclassified to profit or loss:	Arising in the current period	Reclassification and adjustment in the current period	Sum	Tax benefits (expenses)	After-tax amount
Remeasurement of defined benefit plans	$(250)	$-	$(250)	$-	$(250)

24. Income tax

(1) Major components of the 2018 and 2017 income tax expenses (gains) include the following:

Pursuant to amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable business income tax rate has been adjusted from 17% to 20% as of 2018. Surtax on unappropriated retained earnings has been adjusted from 10% to 5%.

Income tax recognized in profit or loss

	2018	2017
Current tax expenses (gains):		
Current tax payable	$29,739	$21,423
Adjustments in respect of current income tax of prior periods	222	(236)
Deferred tax expenses (gains):		
Deferred tax expenses (gains) related to initial recognition of temporary difference and its reversal	(795)	298
Deferred tax related to tax change changes or new taxable items	(285)	-
Income tax expense (gains)	$28,881	$21,485

(2) Income tax recognized in other comprehensive income (loss)

	2018	2017
Deferred tax expenses (gains):		
Remeasurement of defined benefit plans	$-	$-

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

	2018	2017
Profit before tax for continuing operations	$134,860	$123,843
Tax calculated at the domestic tax rate applicable to the income in relevant country	$26,972	$21,053
Tax effects of tax-exempt income	-	(2)
Tax effects of non-deductible expenses	1,240	(269)
Effects on income tax from deferred tax assets/liabilities	80	(45)
10% surtax on unappropriated retained earnings	652	983
Adjustments in respect of current income tax of prior periods	222	(235)
Effects of tax rate changes	(285)	-
Tax expense (benefits) recognized in profit or loss	$28,881	$21,485

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

2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$108	$19	$-	$-	$127
Exchange loss (gain)	160	(55)	-	-	105
Deferred revenue	408	352	-	-	760
Unrealized profit on sales	644	323	-	-	967
Employee benefits	9	(9)	-	-	-
Valuation loss on financial liabilities	-	450	-	-	450
Deferred tax expense/gain		$1,080	$-	$-	
Deferred net tax asset (liabilities)	$1,329				$2,409
Information stated on balance sheet is as follows:					
Deferred tax assets	$1,329				$2,409
Deferred tax liabilities	$-				$-

2017

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$42	$66	$-	$-	$108
Exchange loss (gain)	404	(244)	-	-	160
Deferred revenue	355	53	-	-	408
Unrealized profit on sales	766	(122)	-	-	644
Employee benefits	60	(51)	-	-	9
Deferred tax expense/gain		$(298)	$-	$-	
Deferred net tax asset (liabilities)	$1,627				$1,329
Information stated on balance sheet is as follows:					
Deferred tax assets	$1,627				$1,329
Deferred tax liabilities	$-				$-

(5) Unrecognized deferred tax assets

As of December 31, 2018 and December 31, 2017, the Group's unrecognized deferred tax assets were NT$366,000 and NT$286,000 respectively.

(6) Filing and review of income tax

As of December 31, 2018, the Company's income tax filing and review conditions are as follows:

	Filing of income tax
The Company	Reviewed to 2016
Subsidiary - Ivy Biotechnology Co., Ltd.	Reviewed to 2016
Subsidiary - Bai-Lin Logistics Co., Ltd.	Reviewed to 2016

25. Earnings per share (EPS)

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

Diluted earnings per share (Diluted EPS) is calculated by dividing the net profit attributable to holders of ordinary shares of the Company (after adjusting for the dilution effect) by the weighted-average number of ordinary shares outstanding in the current year

plus all weighted-average number of ordinary shares to be issued when the potential ordinary shares with dilutive effect are converted into ordinary shares.

(1) Basic EPS

	2018	2017
Net income (in NT$1,000)	$106,002	$102,418
Weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	35,272	33,552
Basic earnings per share (NT$)	$3.01	$3.05

(2) Diluted EPS

	2018	2017
Net income (in NT$1,000)	$106,002	$102,418
Redemption gain or loss from issuance of domestic convertible bonds	2,250	Not applicable
Interest from convertible bonds	2,573	Not applicable
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	$110,825	$102,418
weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	35,272	33,552
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	75	52
Employee stock options (in 1,000 shares)	250	350
Convertible bonds (in 1,000 shares)	3,759	Not applicable
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	39,356	33,954
Diluted EPS (NT$)	$2.82	$3.02

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.

VII. Related party transactions

Bonuses for the Group's key managerial officers

	2018	2017
Short-term employee benefits	$9,370	$10,553
Retirement benefits	562	633
Share-based payment	97	120
Total	$10,029	$11,306

VIII. Assets pledged

The Company has pledged the following assets as collateral:

	Carrying Amount		
Item	2018.12.31	2017.12.31	Content of the secured liabilities
Financial asset measured after amortization - current	$24,000	Note	Credit card guarantee
Financial asset measured after amortization - non-current	3,000	Note	Purchase contract guarantee
Debt instrument investments without active market - current	Note	$24,000	Credit card guarantee
Debt instrument investments in without active market - non-current	Note	3,000	Purchase contract guarantee
Total	$27,000	$27,000	

Note: The Group has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

IX. Significant contingent liability and unrecognized contract commitments

N/A.

X. Contingent disaster loss

N/A.

XI. Significant post-reporting period matters

On January 2, 2019, the Board of Directors has approved of a market-based strategic partnership with Maywufa Co., Ltd. and to acquire right of trademark from the Pro Healthcare Franchise. As of February 1, 2019, the Company will receive premium and management revenue from Pro Healthcare Franchise, a business of Maywufa Co., Ltd.

XII. Others

1. Categories of financial instruments

Financial assets

	2018.12.31	2017.12.31
Financial assets measured at amortized cost (Note 2)	$1,090,791	(Note 1)
Loans and receivables (Note 3)	(Note 1)	$648,833
Total	$1,090,791	$648,833

Financial liabilities

	2018.12.31	2017.12.31
Financial liabilities at amortized cost:		
Short-term loan	$-	$70,000
Accounts payable	895,130	629,351
Bonds payable (including those maturing within 12 months)	286,569	-
Sum	1,181,699	699,351
Financial liabilities at fair value through profit or loss:		
Specified financial liabilities at fair value through profit or loss	3,690	-
Total	$1,185,389	$699,351

Note:

1. The Group has adopted IFRS 9 since January 1, 2018, and pursuant to the transitional treatment in IFRS 9, the Group has chosen not to recompile the comparison period.
2. Includes cash and cash equivalents, financial assets measured at amortized cost, notes

receivable, accounts receivable, and other receivables.

3. Includes cash and cash equivalents, notes receivable, accounts receivable, debt instrument investments without active market, and other receivables.

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

3. 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 do 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 loans and receivables.

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 1%, the Group's 2018 and 2017 income will increase by NT$5,826,000 and decrease by NT$2,811,000 respectively.

Equity price risk

As of December 31, 2018 and December 31, 2017, the Group does not hold equity securities measured by fair value. Therefore, equity price risk does not exist.

4. 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 manages customers' credit risk in compliance with the Group's customer risk management policy, procedures, and control. The credit risk valuation of all customers comprehensively measures factors including customers' 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 December 31, 2018 and December 31, 2017, the Group has not had concentration of credit risk on individual customers, hence credit risk should be moderate.

The Group's financing department manages credit risk by managing bank deposits and other financial instruments in accordance with 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 as of January 1, 2018. Receivables are measured as allowances for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk, and are 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).

5. Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	5 years or above	Total
2018.12.31					
Accounts payable	$895,130	$-	$-	$-	$895,130
Bonds payable	286,569	-	-	-	286,569
2017.12.31					
Short-term loan	$70,215	$-	$-	$-	$70,215
Accounts payable	629,351	-	-	-	629,351

6. Adjustments of liabilities from financing activities

Information on adjustments of liabilities in 2018:

	Short-term loan	Guarantee deposit	Issuance of bond	Total liabilities from financing activities
2018.01.01	$70,000	$3,887	$-	$73,887
Cash flow	(70,000)	6,081	295,000	231,081
Non-cash flow	-	-	(8,431)	(8,431)
2018.12.31	$-	$9,968	$286,569	$296,537

Information on adjustments of liabilities in 2017:
Not applicable

7. 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 borrowings, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

(2) Fair value of financial instruments measured at amortized cost

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

	Carrying amount	
	2018.12.31	2017.12.31
Financial liabilities:		
Bonds payable	$286,569	$-

	Fair value	
	2018.12.31	2017.12.31
Financial liabilities:		
Bonds payable	$290,580	$-

(3) Fair value ranked information of financial instruments

Please see Note 12-8 for fair value ranked information of financial instruments.

8. Derivatives

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

Embedded derivatives

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

9. 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 assets measured by non-repetitive fair value. Information on the ranks of repetitive fair value of assets and liabilities is as follows:

As of December 31, 2018:

	Rank 1	Rank 2	Rank 3	Total
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Embedded derivatives	$-	$-	$3,690	$3,690

As of December 31, 2017: no such conditions exist.

Transfer between Rank 1 and Rank 2 of fair value ranks

From January 1, 2018 to December 31, 2018 and January 1, 2017 to December 31, 2017, the Group's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Ranks 1 and 2.

Details on changes in repetitive fair value rank 3

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

	Liabilities
	Financial instruments measured at fair value through profit or loss
2018.1.1	$-
Current issuance	1,440
Total loss recognized in this period: recognized in profit or loss (stated in "Other gains and losses")	
Recognized in profit or loss (stated in "Other gains and losses")	2,250
2018.12.31	$3,690

Among the aforementioned total losses recognized, losses related to liabilities held as of December 31, 2018 amounted to NT$2,250,000.

Information on material unobservable input in fair value Rank 3

For the Group's liabilities measured at repetitive fair value and categorized in fair value rank 3, the material unobservable input used toward fair value measurement is as follows:

As of December 31, 2018:

	Valuation technique	Material unobservable input	Quantitative information	Relations between input value and fair value	Valuation relations of sensitivity analysis of relations between input value and fair value
Financial liabilities:					
Measured at fair value through profit or loss					
Embedded derivatives	CRR Binary Tree Convertible Valuation Model	Fluctuation rate	20.55%	The higher the fluctuation rate, the higher the estimate of fair value	When fluctuation rate increases (decreases) by 1%, the Company's net income will increase/decrease by NT$150,000.

As of December 31, 2017: no such conditions exist.

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

As of December 31, 2018:

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (see Note 6.14 for details)	$-	$-	$290,580	$290,580

As of December 31, 2017: no such conditions exist.

10. Information on financial assets and financial liabilities in foreign the currency with material effect: Not applicable.

11. 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 management 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.

XIII. Notes on disclosures

(I) Information on significant transactions

1. The Company's capital financing for others: None.

2. The Company's endorsement/guarantee for others: None.

3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and joint ventures): None.

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 Attachment 1.

8. Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: Please see Attachment 2.

9. Derivatives transactions: None.

10. Information on business relations and material transactions between the parent company and subsidiaries and inter-subsidiaries: Please see Attachment 5.

(II) Information on reinvestments:

1. Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China): Please see Attachment 3.

2. When the Company has control over the investee, the Company shall disclose the investee (Note 13). (1) Relevant information:

   (1) Capital financing for others: None.

   (2) Endorsement/guarantee for others: None.

   (3) Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and joint ventures): None.

   (4) 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 Attachment 4.

(8) Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: None.

(9) Derivatives transactions: None.

(III) Information on investments in Mainland China: None.

XIV. Departmental Information

1. Revenues from the Group mostly come from sales of various medicine/drugs, health foods, maternity and baby 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 Attachment 4.

2. Regional information

(A) Revenue from external customers (Note):

	2018	2017
Taiwan	$4,846,299	$3,592,758
China	54,430	30,976
Total	$4,900,729	$3,623,734

Note: revenue is classified based on the country of the customer.

(B) Non-current assets:

	2018	2017
Taiwan	$464,292	$338,390
Others	-	-
Total	$464,292	$338,390

3. Information on substantial customers

The Group does not have any single customer whose sales revenue accounts for 10% or more of the Group's consolidated operating net revenue.

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, 2018 to December 31, 2018

Attachment 1

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Sales/purchase company	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		otes and accounts receivable (payabl		Note
			rchases (sal	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	$1,585,033	32.25%	Offset of debts and claims	No other customers for comparison	Non-affiliate	Accounts receivable	37.42%	Note
								with 60~120 days of credit	$189,642		
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	$185,185	4.73%	30 days credit	No other suppliers for comparison	Non-affiliate	Accounts payable	4.61%	Note
								with 60~90 days of credit	$19,354		
									Notes payable	3.25%	
									$11,619		Note

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital:
January 1, 2018 to December 31, 2018

Attachment 2

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Company with accounts receivable	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount for collection after balance sheet date for accounts receivable from related party	Loss allowance for bad debts
					Amount	Treatment		
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	$189,642 (Note)	9.56	$-		$17,150	$-

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China)
January 1, 2018 to December 31, 2018

Attachment 3
Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of investing company	Name of investee company			Initial investment amount		Ending balance			Gains or losses of investee company for this period	Investment gains or losses recognized for this period	Note
Name	Name	Location	Major businesses	Ending balance for this period	Year-end in previous year	Shareholding	Ratio (%)	Carrying amount	Gains or losses in this period	Investment gains or losses	
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	No. 145, Chengzhang 4th Street, Zhongli District, Taoyuan City	Wholesale and retail of food, groceries, sundries, cleaning materials, various medicine, health care foods, maternity and baby products, and cosmetics	$40,612	$7,612	5,900,000 shares	100.00%	$85,176	$17,576	$16,529 (Note 1)	Note 2
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	No. 1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City	Wholesale and retail, sorting and packaging, and warehousing of food and groceries, beverages, sundries, cleaning materials, and cosmetics	$2,000	$2,000	200,000 shares	100.00%	$1,971	$(391)	$(391)	Note 2
Ivy Biotechnology Co., Ltd.	Da-Yu Property Management	No. 1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City	Management and consultancy; development, rental, and sales of residential and building complexes; development of designated areas; real estate purchase and sales; real estate rental; development, rental, and sales of factory buildings	$36,000	$3,000	360,000 shares	60.00%	$35,876	$(57)	$(34)	Note 2

Note 1: Includes income from investment recognized using equity method for this period of NT$17,576,000, realized profit from upstream transactions in previous period of NT$3,790,000, and unrealized profit from upstream transactions for this period of NT$4,837,000.

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries
Purchases from and sales to related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital
January 1, 2018 to December 31, 2018

Attachment 4
Unit: Thousands of New Taiwan Dollar (NT$1,000)

Sales/purchase company	Counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Note
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	$185,185	88.19%	30 days credit	No material difference from average customers	Non-affiliate with 30~60 days of credit	Accounts receivable $19,354	51.28%	Note
									Notes receivable $11,619	95.80%	Note
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	1,585,033	100.00%	Offset of debts and claims	No other suppliers for comparison	No other suppliers for comparison	Accounts payable $189,642	100.00%	Note

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

Great Tree Pharmacy Co., Ltd. and Subsidiaries

Business Relations Between Parent Company and Subsidiaries and Material Transactions

Attachment 5

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Code (Note 1)	Name of counterparty	Transaction counterparty	counterparty (Note 2)	Status of transactions			
				Item	Amount	Transaction conditions	consolidated total revenue or asset
	January 1, 2018 to December 31, 2018						
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotech Co., Ltd.	1	Purchases	185,185	30 days credit	#REF!
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotech Co., Ltd.	1	Accounts receivable	343	30 days credit	0.01%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotech Co., Ltd.	1	Other receivables	9,495	30 days credit	0.41%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotech Co., Ltd.	1	Notes payable	11,619	30 days credit	0.50%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotech Co., Ltd.	1	Accounts payable	19,354	30 days credit	0.84%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotech Co., Ltd.	1	Guarantee deposits	240	-	0.01%
0	Great Tree Pharmacy Co., Ltd.	Ivy Biotech Co., Ltd.	1	Rent revenue	7,598	30 days credit	#REF!
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Sales	1,585,033	Offset of debts and claims	#REF!
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Accounts receivable	189,642	Offset of debts and claims	8.22%
0	Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	1	Service fees	600	Offset of debts and claims	#REF!

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

1. Parent company will be coded "0".
2. The subsidiaries are coded from "1" in the order presented in the table above.

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

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

Note 3: For calculation of the ratios of transaction amounts on the consolidated total revenue or asset: for balance sheet items, calculate the amount of ending balance on the consolidated total asset; for income statement items, calculate the amount of accumulated amounts during the period on the consolidated total revenue.

Note 4: foreign currency amounts will be translated to NTD amounts by the exchange rate as of the balance sheet date.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To Great Tree Pharmacy Co., Ltd.

Audit Opinion

We have audited the accompanying parent company only balance sheets of Great Tree Pharmacy Co., Ltd. (the "Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and their parent company only financial performance and cash flows for the years ended December 31,2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Audit Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Great Tree Pharmacy Co., Ltd. recognized operating revenue of NT$4,914,093 thousand in 2018. Since the Company's sources of revenue include different selling models such as retail transactions at pharmacies and revenue from management services; the judgment over performance obligation and the timing of its fulfillment over customer orders or contracts was needed; therefore leading to

significant risk of revenue recognition. Hence, we have decided to include this as a key audit matter. Our audit procedures include (but are not limited to): understanding each selling model, evaluating the appropriateness of revenue recognition policy related to obligation fulfillment under each model, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle, conducting detailed testing by sampling the sales receipts, and conducting analytical review procedure and carrying out cut-off tests and more. We have also taken the appropriateness of operating revenue disclosure in Note 4 and Note 6 in the Notes to the parent company only financial statements into consideration.

Inventory Valuation

As of December 31, 2018, the net inventory of Great Tree Pharmacy Co., Ltd. was NT$555,057 thoudsnd , accounting for 25% of the individual total asset. Great Tree Pharmacy Co., Ltd.'s main business involves trading of baby, kids, and maternity products as well as various drugs. Most of their products have shelf lives, leading evaluations of allowance for inventory valuation and obsolescence loss to require material judgment by the Company management. Therefore, this was included as a key audit matter. Our audit procedures include (but are not limited to): evaluating the appropriateness of the policy of allowance for inventory valuation and obsolescence loss, evaluating the management method for near expiring goods and identification of expired inventory and testing the effectiveness of the relevant internal control, sampling the inventory aging report to test its accuracy and selecting significant inventory location for physical inventory observation and count, and inspecting current inventory and utilization status and more. We have also taken the appropriateness of inventory disclosure in Note 5 and Note 6 in the Notes to the parent company only financial statements into consideration.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 the parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ERNST&YOUNG
Financial Report of TWSE Listed Company as Authorized by the Competent Authority
Auditing and Attestation No. (2017) FSC No. 1060026003
(2014) FSC No. 1030025503

Lo Hsiao Chin
Certified Public Accountant (CPA)

Cheng Ching Piao

March 28, 2019

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Balance Sheet

As of December 31, 2018 and 2017

(Amounts Expressed in thousands of New Taiwan Dollars)

Asset			December 31, 2018		December 31, 2017	
Code	Accounting Item	Note	Amount	%	Amount	%
11xx	**Current asset**					
1100	Cash and cash equivalents	4 and 6.1	$551,246	24	$255,465	17
1136	Financial assets measured at amortized cost	4, 6.2, and 8	24,000	1	-	-
1147	Debt instrument investments without active market	4, 6.3, and 8	-	-	51,240	3
1150	Notes receivable,net	4 and 6.4	1,563	-	502	-
1170	Accounts receivable,net	4 and 6.5	316,728	14	248,700	16
1180	Accounts receivable - related parties,net	4, 6.5, and 7	189,985	8	142,322	9
1200	Other receivables		68,780	3	39,382	3
1210	Other receivables - related parties	7	9,495	-	5,819	-
1310	Inventories,net	4 and 6.6	555,057	25	391,681	25
1410	Prepayments		12,496	1	23,491	2
1470	Other current assets		2,382	-	1,911	-
	Total current assets		1,731,732	76	1,160,513	75
15xx	**Non-current assets**					
1535	Financial assets measured at amortized cost	4, 6.2, and 8	3,000	-	-	-
1546	Debt instrument investments without active market	4, 6.3, and 8	-	-	3,000	-
1550	Investments accounted for using equity method	4 and 6.7	87,147	4	59,470	4
1600	Property, plant, and equipment	4 and 6.8	366,741	16	261,834	17
1780	Intangible asset	4 and 6.9	3,061	-	2,997	-
1840	Deferred tax assets	4 and 6.25	2,409	-	1,329	-
1900	Other non-current assets	4 and 6.10	72,720	4	51,095	4
	Total non-current assets		535,078	24	379,725	25
1xxx	**Total assets**		$2,266,810	100	$1,540,238	100

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Balance Sheet (continued)

As of December 31, 2018 and 2017

(Amounts Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2018		December 31, 2017	
Code	Accounting Item	Note	Amount	%	Amount	%
21xx	**Current liabilities**					
2100	Short-term loans	6.11	$-	-	$70,000	5
2130	Contract liabilities	4 and 6.18	4,398	-	-	-
2150	Notes payable		346,395	15	239,811	16
2160	Notes payable - related parties	7	11,619	-	18,030	1
2170	Accounts payable		400,691	18	293,048	19
2180	Accounts payable - related parties	7	19,354	1	14,006	1
2200	Other payables	6.1313	102,598	5	74,066	5
2230	Current tax liabilities	4 and 6.21	17,358	1	9,001	-
2300	Other current liabilities	6.14	9,017	-	10,310	1
	Total current liabilities		911,430	40	728,272	48
25xx	**Non-current liabilities**					
2500	Financial liabilities at fair value through profit and loss	4 and 6.12	3,690	-	-	-
2530	Bonds payable	4 and 6.15	286,569	13	-	-
2640	Net defined benefit liabilities	4 and 6.16	3,656	-	3,486	-
2645	Guarantee deposits	7	9,729	-	3,767	-
	Total non-current liabilities		303,644	13	7,253	-
2xxx	Total liabilities		1,215,074	53	735,525	48
31xx	**Equity attributable to shareholders of the parent company**					
3100	Capital	6.17				
3110	Common stock		365,516	16	305,015	20
3200	Additional paid-in Capital	6.17				
3210	Share premium		421,308	19	265,308	17
3271	Employee stock options	4 and 6.18	2,928	-	2,952	-
3272	Stock options		10,001	1	-	-
3280	Others		1,562	-	1,279	-
3300	Retained earnings	6.17				
3310	Legal capital reserve		49,220	2	38,978	3
3350	Unappropriated earnings		201,201	9	191,181	12
	Total equity		1,051,736	47	804,713	52
	Total liabilities and equity		$2,266,810	100	$1,540,238	100

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Compnay Only Statement of Comprehensive Income

For the years ended December 31, 2018 and2017

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

Code	Item	Note	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	4, 6.19, and 7	$4,914,093	100	$3,606,685	100
5000	**Operating costs**	7	(3,752,897)	(76)	(2,735,918)	(76)
5900	**Gross profit**		1,161,196	24	870,767	24
6000	**Operating expenses**					
6100	Sales and marketing		(852,960)	(17)	(626,950)	(18)
6200	General and administrative		(194,616)	(4)	(152,743)	(4)
6450	Expected credit impairment loss	6.20	(59)	-	-	-
	Total operating expenses		(1,047,635)	(21)	(779,693)	(22)
6900	**Operating income**		113,561	3	91,074	2
7000	Non-operating income and expenses					
7010	Other income	6.23 and 7	6,779	-	5,516	-
7020	Other gains and losses	6.23 and 7	(2,648)	-	(2,267)	-
7050	Finance costs	6.23	(3,414)	-	(217)	-
7070	Shares of profit or less of subsidiaries		16,138	-	24,922	1
	Total non-operating income and expenses		16,855	-	27,954	1
7900	**Income from continuing operations before income tax**		130,416	3	119,028	3
7950	**Income tax expenses**	4 and 6.25	(24,414)	(1)	(16,610)	-
8200	**Net income**		106,002	2	102,418	3
8300	**Other comprehensive income (loss)**	6.24				
8310	**Items that will not be reclassified to profit or loss:**					
8311	Actuarial gain(loss) from defined benefit plans		(337)	-	(250)	-
	Total other comprehensive income (loss) ,net of tax		(337)	-	(250)	-
8500	**Total comprehensive income**		$105,665	2	$102,168	3
	Earnings per share, EPS (NT$)					
9750	**Basic earnings per share**	6.26	$3.01		$3.05	
9850	**Diluted earnings per share**	6.26	$2.82		$3.02	

The accompanying notes are an integral part of the parent company only financial statements.

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Amounts expressed in thousands of New Taiwan Dollars)

	Item	Common stock	Additional paid-in capital	Retained earnings		Total
				Legal capital reserve	Unappropriated earnings	
Code		3100	3200	3310	3350	3XXX
A1	Balance as of January 1, 2017	$265,230	$268,939	$29,692	$172,564	$736,425
	Appropriations of prior year's earnings					
B1	Legal capital reserve			9,286	(9,286)	-
B5	Cash dividends				(34,480)	(34,480)
B9	Stock dividends	39,785			(39,785)	-
D1	Net income, 2017				102,418	102,418
D3	Other comprehensive income (loss) in 2017				(250)	(250)
D5	Total comprehensive income	-	-	-	102,168	102,168
N1	Share-based payment transactions		600			600
Z1	Balance as of December 31, 2017	$305,015	$269,539	$38,978	$191,181	$804,713
A1	Balance as of January 1, 2018	$305,015	$269,539	$38,978	$191,181	$804,713
	Appropriations of prior year's earnings					
B1	Legal capital reserve			10,242	(10,242)	-
B5	Cash dividends				(54,902)	(54,902)
B9	Stock dividends	30,501			(30,501)	-
C5	Equity component item recognized for issuance of convertible bonds - arising from recognition of equity		10,001			10,001
D1	Net income, 2018				106,002	106,002
D3	Other comprehensive income (loss) in 2018				(337)	(337)
D5	Total comprehensive income (loss)	-	-	-	105,665	105,665
E1	Cash capital increase	30,000	156,000			186,000
N1	Share-based payment transactions		259			259
Z1	Balance as of December 31, 2018	$365,516	$435,799	$49,220	$201,201	$1,051,736

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Great Tree Pharmacy Co., Ltd.

Parent Company Only Statements of Cash Flows

For the years ended December 31,2018 and 2017

(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2018	2017
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$130,416	$119,028
A20000	Adjustment items:		
A20010	Gain or loss items that do not affect cash flow:		
A20100	Depreciation expenses	56,000	38,926
A20200	Amortization expenses	5,571	1,503
A20300	Expected credit impairment loss	59	-
A20400	Valuation loss on financial liabilities measured at fair value through profit or loss	2,250	-
A20900	Interest expenses	3,414	217
A21200	Interest income	(1,415)	(1,000)
A21900	Cost of share-based payments	259	600
A22300	Shares of profits of subsidiaries	(16,138)	(24,922)
A22500	Loss on disposal of property, plant, and equipment	482	5
A23100	Gain on disposal of investments	-	(16)
A30000	Changes in operating assets and liabilities:		
A31110	Financial assets held for trading	-	16
A31130	Notes receivable	(1,061)	948
A31150	Accounts receivable	(68,087)	8,767
A31160	Accounts receivable - related parties	(47,663)	(18,643)
A31180	Other receivables	(29,398)	(18,768)
A31190	Other receivables - related parties	(3,676)	(2,580)
A31200	Inventories	(163,376)	(88,765)
A31230	Prepayments	10,995	(1,186)
A31240	Other current assets	(614)	1,126
A31990	Other non-current assets	(6,432)	-
A32125	Contract liabilities	1,755	-
A32130	Notes payable	106,584	15,682
A32140	Notes payable - related parties	(6,411)	11,101
A32150	Accounts payable	107,643	91,532
A32160	Accounts payable - related parties	5,348	(835)
A32180	Other payables	24,734	17,632
A32230	Other current liabilities	1,350	(3,327)
A32240	Net defined benefit liabilities	(167)	(161)
A33000	Cash generated from operations	112,422	146,880
A33100	Interest received	1,415	1,000
A33200	Dividends received	21,461	23,400
A33300	Interest paid	(428)	(217)
A33500	Income tax paid	(16,994)	(16,580)
AAAA	Net cash provided by (used in) operating activities	117,876	154,483

The accompanying notes are an integral part of the parent company only financial statements.

Great Tree Pharmacy Co., Ltd.
Parent Company Only Statementsof Cash Flows (continued)
For the years ended December 31, 2018 and 2017
(Amounts expressed in thousands of New Taiwan Dollars)

Code	Item	2018	2017
BBBB	Cash flows from investing activities:		
B00050	Disposal of financial assets measured at amortized cost	27,240	-
B00700	Decreases (increase) in debt instrument investments without active market	-	14,211
B01800	Investments accounted for using equity method	(33,000)	-
B02700	Acquisition of property, plant, and equipment	(171,543)	(112,644)
B02800	Disposal of property, plant, and equipment	4,476	-
B03700	Decreases (increases) in refundable deposits	(5,693)	(9,294)
B04500	Acquisition of intangible asset	(5,635)	(4,060)
BBBB	Net cash provided by (used in) investing activities	(184,155)	(111,787)
CCCC	Cash flow from financing activities:		
C00100	Increase(decrease) of short-term loans	(70,000)	70,000
C02600	Cash received from issuance of debenture	295,000	-
C03000	Increase (decrease) in guarantee deposits received	5,962	1,163
C04500	Distribution of cash dividends	(54,902)	(34,480)
C04600	Cash capital increase	186,000	-
CCCC	Net cash provided by (used in) financing activities	362,060	36,683
EEEE	Net increase (decrease) in cash and cash equivalents	295,781	79,379
E00100	Cash and cash equivalents at beginning of period	255,465	176,086
E00200	Cash and cash equivalents at end of period	$551,246	$255,465

The accompanying notes are an integral part of the parent company only financial statements.

I. 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 products, goods for mothers and babies, and cosmetics products. We also provide coordinated medicine procurement services to various clinics, outpatient centers, and medical communities. Besides, we are also an agency for domestic and foreign health care products sold in clinics, outpatient centers, and medical communities.

The Company's initial public offering (IPO) was on March 29, 2016 at the Taipei Exchange (TPEx). The Company's registered address and the main business operating site is at No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City.

II. Dates and procedures of approving financial statements

The Company's 2018 and 2017 Individual Financial Statements have been approved and announced by the Board of Directors on March 28, 2019.

III. Applicability of new and amended accounting principles and explanations

1. Changes in accounting policy from first-time adoption of International Financial Reporting Standards (IFRS):

The Company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Standing Interpretations approved by the Financial Supervisory Commission (FSC) and have been applicable since January 1, 2018. First-time adoption has not had significant influences on the Company besides the following explanations on the characters and impacts from the new standards and amendments:

(1) IFRS 15 - Revenue from Contracts with Customers (including interpretations of IFRS 15 - Revenue from Contracts with Customers):

IFRS 15 has replaced IAS 11 - Construction Contracts, IAS 18 - Revenue, and related interpretations and announcements. The Company has chosen to recognize the accumulated effects on the date of first-time adoption (i.e. January 1, 2018) in accordance with the rules on transitional treatment of IFRS 15, and we chose to adopt retrospective applications for the incomplete contracts on January 1, 2018.

The Company's revenues from contracts with customers mostly come from sales of products and provision of service. The following is an explanation on the impacts on the Company's revenue recognition from IFRS 15:

A. An explanation of the Company's applicable accounting policies before and after January 1, 2018 can be found at Note 4.

B. Prior to January 1, 2018, revenue from sales of product was recognized at product delivery. After January 1, 2018, pursuant to regulations in IFRS 15, the aforementioned revenue would be recognized when the Company fulfills a performance obligation by transferring the committed goods to the customer. Adoption of IFRS 15 does not affect the Company's sales of goods. Nevertheless, for partial contracts, when goods are transferred to customers but conditions to receive considerations for exchange, contract asset would be recognized as opposed to recognition of accounts receivable prior to January 1, 2018. Additionally, contract asset needs to be evaluated for loss allowances in accordance with IFRS 9 - Financial Instruments. Compared with adoption of IFRS 18, the aforementioned difference has not had any effect on the Company's financial statements.

C. For partial contracts, the Company receives partial advance considerations from the customers at the signing of contracts. The Company shoulders the obligation of having to provide product sales afterwards. Prior to January 1, 2018, the advance considerations would be recognized as other current liabilities, and are now recognized as contract liabilities according to IFRS 15. The Company has reclassified NT$2,643,000 of other current liabilities as contract liabilities since January 1, 2018. Additionally, compared to the adoption of IFRS 18, other current liabilities has decreased by NT$4,398,000 and contract liabilities has increased by NT$4,398,000 as of December 31, 2018.

D. Prior to January 1, 2018, revenue from the Company's provision of management service would be recognized at the completion of service. After January 1, 2018, the aforementioned revenue would be recognized when the Company fulfills performance obligation when the committed service is transferred to the customer in accordance with IFRS 15. This does not pose any effect to the recognition of service revenue.

E. Additional required note disclosure in accordance with IFRS 15 can be found at Notes 4, 5, and 6.

(2) IFRS 9: Financial Instruments

IFRS 9 has replaced IAS 39, and the Company has chosen not to recompile the comparison period during the date of first-time adoption (i.e. January 1, 2018) in accordance with the rules on transitional treatment for IFRS 9. Effects from adoption of IFRS will be explained in the following:

A. Rules of IFRS 9 are adopted as of January 1, 2018, and IAS 39 was adopted prior to January 1, 2018. Please see Note 4 for explanations of the accounting policies.

B. Pursuant to rules on transitional treatment for IFRS 9, the business model was evaluated based on existing matters and condition as of January 1, 2018, and financial assets were reclassified to appropriate categories pursuant to IFRS 9. Classifications and book values of financial assets as of January 1, 2018 can be found at the table below:

IAS 39		IFRS 9	
Type of measurement	Carrying Amount	Type of measurement	Carrying Amount
Cost evaluation after amortization		Cost evaluation after amortization (including cash and cash equivalents, notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables)	$746,430
Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable, debt instrument investments without active market, and other receivables)	$746,430		

C. During transition from IAS 39 to IFRS 9 on January 1, 2018, changes in classification of financial assets and financial liabilities can be further denoted as the following:

IAS 39		IFRS 9			Retained earnings	Other equity
Accounting item	Carrying Amount	Accounting item	Carrying Amount	Differential	Adjustment	Adjustment
Loans and receivables (Note 1)						
Cash and cash equivalents	$255,465	Cash and cash equivalents	$255,465	$-	$-	$-
Debt instrument investments without active market	54,240	Financial assets measured at amortized cost	54,240	-	-	-
Notes receivable	502	Notes receivable	502	-	-	-
Accounts receivable (including related parties)	391,022	Accounts receivable (including related parties)	391,022	-	-	-
Other receivables (Including related parties)	45,201	Other receivables (Including related parties)	45,201	-	-	-
Total	$746,430	Total	$746,430	$-	$-	$-

Note:

1. Pursuant to IFRS 39, for the Company's classifications of loans and receivables, the characteristics of their cash flow are in line with the interest paid solely on the principal and the outstanding principal. Based on existing matters and conditions as of January 1, 2018, since the business model receives cash flow from contracts and meets the regulations for measurement of cost after amortizations; furthermore, since the impairment test on the aforementioned assets based on IFRS 9 on January 1, 2018 did not produce any difference, hence, there was no impact to the book value on January 1, 2018, and only the debt instrument investments without active market of NT$54,240,000 was reclassified as financial assets measured at amortized cost.

D. Note disclosure in accordance with IFRS 7 and IFRS 9 can be found at Notes 4, 5, and 6, and 12.

(3) Disclosure Initiative (Amendments to IFRS 7 - Statement of Cash Flows)

Information on adjustments from beginning to end is added for fundraising activities related to the Company's liabilities. Please see Note 12 for related disclosures.

2. The Company has yet to adopt the following standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, and amended standards or interpretations:

Item	Newly announced/amended/revised standard and intepretation	Effective date from IASB
1	IFRS 16 - Leases	January 1, 2019
2	IFRIC 23 - Uncertainty over Income Tax Treatment	January 1, 2019
3	IFRS 28 - Investments in Associates and Joint Ventures	January 1, 2019
4	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
5	Enhancements of the IFRS from 2015 to 2017	January 1, 2019
6	Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)	January 1, 2019

(1) IFRS 16 - Lease

On top of meeting and selecting assets short-term lease or lowest-pricing objective in a lease, this new standard also requires the lessee to adopt a single accounting model for all leases, i.e. recognition of right-of-use asset and lease liabilities will be recognized in the balance sheet, while the comprehensive income statement will recognize depreciation expense and interest expense related to the lease. Additionally, lease from lessor is still classified as operating lease and financing lease; nevertheless, more relevant information disclosure is required.

(2) IFRIC 23 - Uncertainty over Income Tax Treatments

This interpretation provides guidance on how to apply the recognition and measurement of IAS 12 - Income Taxes, when there is uncertainty about the resulting tax treatment.

(3) Amendments to IAS 28 - Investments in Associates and Joint Ventures

These amendments clarify that a company's long-term interest in a portion of a joint

venture or a joint venture's net investment should be applied to IFRS 9 prior to the application of IAS 28. Moreover, any adjustments resulting from the application of IAS 28 are not considered when IFRS 9 is applied.

(4) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

These amendments allow financial assets with an early repayment characteristic (allowing one contractual party to pay or receive reasonable compensation to terminate the contract early), which can be measured at amortized cost or measured at fair value through other comprehensive income (loss).

(5) Improvements of the IFRS from 2015-2017

IFRS 3 - Business Combinations

This amendment clarifies that when a company has joint control over its joint operations, it's previously held interest in the joint operations shall be remeasured when it obtains control of the business.

IFRS 11 - Joint Arrangements

This amendment clarifies that a company that is engaged in joint operations but does not have joint control should not measure its previously held interest in its joint operations when it obtains joint control of the business.

IAS 12 - Income Tax

This amendment clarifies that a company should recognize the income tax results of the dividends recognized in the same place, based on its prior recognition of past transactions or events in profit or loss, other comprehensive income (loss), or equity.

IAS 23 - Borrowing Costs

This amendment clarifies that when the asset of a company becomes available for its intended use or sale, a company should treat borrowing specifically taken out to acquire the asset in the form of a general loan.

(6) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

These amendments clarify that when modifications are made to a defined benefit plan (e.g. amendments, reductions or settlements), a company should use the updated assumption to remeasure its net defined benefit liabilities or assets.

The aforementioned standards that have been announced by the International Accounting Standards Board (IASB) and have been approved by the FSC as either newly announced, revised, amended, standards or interpretations, except for the following evaluation on the impacts from the aforementioned (1), the rest of the newly announced, revised, and amended standards or interpretations have not had material impacts on the Company:

(1) IFRS 16 - Leases

IFRS 16 has replaced IAS 17 - Leases, IFRIC Interpretation 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases-Incentives, and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The impact of IFRS 16 on the Company is as follows:

A. For definition of lease, pursuant to transitional treatment of IFRS 16, the Company has chosen not to re-evaluate whether contracts are (or include) leases on the date of first-time adoption (i.e. January 1, 2019). The Company has applied the lease contracts identified during adoption of IAS 17 and IFRIC 4 to IFRS 16. Then, contracts that were identified as excluding lease during adoption of IAS 17 and IFRIC 4 were identified as inapplicable for IRFS 16.

The Company as lessee, is applicable for the transitional treatment of IFRS 16, and has chosen not to recompile the comparison information, and cumulative effects during first-time adoption on January 1, 2019 was used as adjustments to the beginning balance of retained earnings on the first day of adoption.

(a) Leases classified as operating lease

The Company is expected to measure and recognize lease liabilities on January 1, 2019 for the leases classified as operating lease during adoption of IAS 17 based on the present value of lease benefits balance (discounted using the lessee's incremental borrowing rate as of January 1, 2019). Additionally, the carrying amounts of right-of-use asset will be used to measure and recognize right-of-use assets on the basis of individual leases, as the IFRS 16 has been applied from the beginning, in which the

discounted borrowing rate of the lessee will be used on January 1, 2019.

On January 1, 2019, the Company's right-of-use asset is expected to increase by NT$1,420,528,000 on January 1, 2019; lease liabilities will increase by NT$1,472,520,000 and the NT$51,992,000 difference will be adjusted to retained earnings.

B. Pursuant to IFRS 16, additional relevant disclosures on lessee and lessor will be made.

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

Item	Newly announced/amended/revised standard and intepretation	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, 2021
3	Definition of a business (Amendments of IFRS 3)	January 1, 2020
4	Definition of material (Amendments of IAS 1 and IAS 8)	January 1, 2020

(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 recognised 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, a full gain or loss should 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, wherein the performance obligation cash flow includes:

1. Estimates of future cash flow
2. Discount rate: reflects the time value of money and adjustments for financial risks related to future cash flow (which are not included in the estimate of future cash flows); and
3. Adjustments for non-financial risks

The carrying amount of the insurance contract group at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred.

In addition to the general model, the standard also provides:

1. Specific application (variable fee method) for direct participation in specific contracts
2. Simplification of short-term contracts (premium sharing method)

(3) Definition of business (Amendments of IFRS 3)

These amendments clarify IFRS 3 - Business Combinations to improve the definition of a business. The amendments will help companies to identify whether the transaction should be handled as a business consolidation or as acquisition of asset. IFRS 3 will continue to adopt market participant's view point in deciding whether an

activity or asset combination acquired is a business, including clarifying the minimum requirement of a business, adding guidance to help companies to evaluate whether the acquisition process is substantial, and reducing definition of business and production.

(4) Definition of material (Amendments of IFRS 1 and IFRS 8)

The amendments can be attributable to the redefinition of material information as: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These amendments clarify that materiality is based on the nature of the information, and a company shall see whether information is material on its own or when consolidated with other information in the financial statements. If it can be reasonably expected to influence the decisions that the primary users of the financial statements make, then misstatement of information will be material.

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

IV. Explanations of major accounting policies

1. Declaration of compliance

The Company's 2018 and 2017 Individual Financial Statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

2. Basis of preparations

The Company's Individual Financial Statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Pursuant to Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the current gain or loss and other comprehensive income in the Individual Financial Statements is equal to the current gain or loss and other comprehensive income as attributable to owners of parent company in the Consolidated

Financial Statements. Furthermore, the owner's equity in the Individual Financial Statements is equal to the equity attributable to owners of the parent company in the Consolidated Financial Statements. Therefore, investments in subsidiaries are expressed using "investments accounted for using equity method" in the Individual Financial Statements, and necessary valuation adjustments will be made.

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

3. Foreign currency transaction

The functional currency of the Company's Individual Financial Statements is New Taiwan Dollar (NTD).

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

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

(1) For foreign currency loans that arise from acquisition of assets that meet the requirements, if the resulting exchange differences are treated as adjustments of the interest capital, which is a component of the cost of loans, they will be capitalized as the cost of the asset.

(2) For foreign currency items applicable of IFRS 9 - Financial instruments (IAS 39 prior to January 1, 2018), they will be treated according to the accounting policy for financial instruments.

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

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

4. Standard of classifying assets and liabilities as current and 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 non-current asset:

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

(1) The Company expects to settle the liability during normal business cycle.
(2) Liability is held for trading purposes.
(3) The liability is due to be settled within twelve months after the reporting period.
(4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve 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.

5. Cash and cash equivalents

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

6. Financial instruments

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

In accordance with the scope of application of IFRS 9 - Financial Instruments (IAS 39 prior to January 1, 2018), during initial recognition of financial assets and financial liabilities, they will be measured at fair value and the transaction costs directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities measured at fair value through profit or loss) are derived by addition or subtraction from the fair value of assets and financial liabilities.

(1) Recognition and valuation of financial assets

Accounting treatment as of January 1, 2018:

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

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

A. Business model used in managing the financial assets
B. Characteristics of the contractual cash flows from the financial asset

Financial assets measured at amortized cost

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

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

Such financial assets (excluding hedging relationships) will be measured at subsequent amortized cost (amount measured at the time of initial recognition, less

the principal repaid, and add or subtract the accumulated amortized difference by using effective interest method between the original amount and the amount due, and by adjusting allowances for loss. When derecognizing, through amortization procedure, or recognizing impairment gain or loss, the gain or loss will be recognized as profit or loss.

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

A. If it is a credit-impaired financial asset from acquisition or from founding, the credit-adjusted effective interest rate is multiplied by the cost of amortized financial assets
B. If it is not, in case of subsequent credit impairment, the effective interest rate will be multiplied by the cost of the financial instrument after amortization

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

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

A. Business model used in managing the financial assets: financial asset is held to receive contractual cash flows and for sale of financial asset
B. Characteristics of the contractual cash flows from the financial asset: cash flow is the interest paid solely on the principal and the outstanding principal

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

A. Prior to derecognition or reclassification, except for impairment interest or loss, exchange gain or loss will be recognized in the income or loss, and its gain or loss will be recognized in other comprehensive income (loss)

B. During derecognition, accumulated gain or loss recognized in other comprehensive income (loss) will be reclassified from equity to income or loss as adjustments for reclassification

C. Interest calculated through effective interest method (multiplying effective interest with the total book value of the financial asset) or the following

conditions will be recognized in income or loss:

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

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

Financial assets measured at fair value through profit or loss

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

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

Accounting treatment prior to January 1, 2018:

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

The Company's financial assets were classified as two types: financial assets measured at fair value through profit or loss, and loans and receivables. This

classification is made during initial recognition of the financial asset based on its nature and purpose.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include those available-for-sale and designated at fair value through profit or loss.

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

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

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

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

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset (including dividend or interest received during the year when the investment was made).

If no offered price from an active market is present and the fair value cannot be reliably measured for these financial assets, they shall be measured at cost after subtracting any impairment loss at the closing day of the reporting period, and stated on the balance sheet as financial assets carried at cost.

Loans and receivables

Loans and accounts receivable refer to non-derivative financial assets without publicly offered price from active market, and are either fixed or the amount receivable can be decided, and shall also satisfy the following conditions: have not be classified as fair value measurement through profit or loss, have not been designated as available-for-sale, and have not had conditions where the holder may not be able to recover almost all of the original investments due to factors other than credit impairment.

These financial assets are separately stated in the balance sheet as accounts receivable and debt instrument investments without active market. After initial measurement, they will be valued through effective interest method, or amortized cost deducting any impairment. The calculation of the amortized cost will factor into discount or premium and transaction cost during acquisition. Amortization through effective interest method will be recognized in profit or loss.

(2) Impairments of Financial Assets

Accounting treatment as of January 1, 2018:

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

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

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

Method for valuating allowance for loss is as follows:

A. Measure the expected credit loss over the next 12 months: including financial asset without significant increase in credit risk after initial recognition, or those ruled to have low credit risk on the date of the balance sheet. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.

B. Measurement of the amount of lifetime expected credit losses: including financial asset with significant increase in credit risk after initial recognition or purchased or originated credit-impaired financial asset with credit impairment.

C. For accounts receivable or contractual asset arising from transactions within the scope of IFRS 15, the Company adopts lifetime expected credit loss to measure allowance for loss.

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

Accounting treatment prior to January 1, 2018:

Besides financial assets measured at fair value through profit or loss, other financial assets are measured for impairment on the last day of each reporting period. When any there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably. Except for accounts receivable, where the allowance account will be reduced accordingly, all other decreases in the carrying amount of financial assets will be directly reduced in the carrying amount, and the loss will be recognized in the profit or loss.
When the fair value of available-for-sale equity investment is lower than cost and a significant or permanent depreciation has occurred, a loss will be recognized.

Other losses on financial assets may include:

A. The issuer or the counterparty has material financial difficulties; or

B. Breach of contract, such as delay or non-payment of interest or principal payment; or
C. The debtor is likely to go bankrupt or undergo other financial restructuring; or
D. Active market of the financial asset may disappear as a result of financial difficulties experienced by the issuer.

For held-to-maturity financial assets measured at amortized cost and loans and accounts receivable, first of all, the Company would separately evaluate whether objective evidence for impairment exists for material individual financial asset, and individual non-material financial assets would be evaluated as a group. If objective evidence that proves no impairment exists for individually evaluated financial assets, whether material or otherwise, financial assets with similar credit risk characteristics will be grouped and evaluated for impairment as a group. If objective evidence for impairment loss exists, the measurement of impairment will be decided based on the differential between the carrying amount of the asset and the present value of the expected future cash flow. The present value (PV) of the expected future cash flow refers to the discounted original effective interest rate of the asset. Nevertheless, if the loan is measured at a floating rate, the discount rate used in measuring impairment loss will be the current effective interest rate. Interest income is based on the reduced carrying amount of the asset and is continuously estimated using the discount rate of cash flows used to calculate the impairment loss.

When it is expected that accounts receivable cannot be realized in the future, accounts receivable and related allowance item should be written off. During the subsequent year after recognition of impairment loss, if the amount of the expected impairment loss increases or decreases due to the occurrence of an incident, the allowance item will be adjusted to increase or decrease the recognized impairment loss. If recovery is made after the write-off, then the recovery will be recognized in the profit or loss.

The impairment recognition of equity instrument classified as available-for-sale will be the accumulated loss measured from the difference between the acquisition cost and the current fair value, and subtracting any impairment loss valuation recognized in profit or loss. The impairment will be reclassified to profit or loss from the equity item. Impairment loss on equity investment will not be made through reversal of profit or loss. If fair value increases after impairment, the increase will be directly recognized in equity.

Debt instrument classified as available-for-sale, the amount recognized for impairment is the accumulated loss measured from the differences between the

amortized cost and the fair value at the time, minus any impairment loss of the asset already recognized in profit or loss. Future interest revenue will be based on the reduced carrying amount of the asset, and is calculated based on the effective interest rate used for calculating the discounted cash flow. Interest revenue is recognized in profit or loss. If fair value of the debt instrument increases in subsequent years, and the increase is significantly related to the event occurring after the impairment loss is recognized, the impairment loss will be reversed through profit or loss.

(3) Derecognition of financial asset

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

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

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Hybrid instruments

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

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Company do include an equity element, they are handled in accordance with IFRS 9 - Hybrid Instruments (i.e. IAS 30 before January 1, 2018).

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

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

Financial liabilities

In accordance with the scope of application of IFRS 9 - Financial Instruments (IAS 39 prior to January 1, 2018), during initial recognition of financial liabilities, they will be either classified as financial liabilities measured at fair value through profit and loss or financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

Prior to January 1, 2018, if no offered price from an active market is present and the fair value cannot be reliably measured for these financial liabilities, they shall be measured at cost after subtracting any impairment loss at the closing day of the reporting period, and stated on the balance sheet as financial liabilities carried at cost.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include accounts payables and loans,

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and financial liabilities

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

7. Fair value measurement

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

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

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

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

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

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

8. Inventory

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

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

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

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

Starting from January 1, 2018, provision of labor is treated in accordance with IFRS 15 and is not counted toward the inventory.

9. Investment accounted for using equity method

Investments to subsidiaries are made pursuant to Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." These investments are expressed by "investments accounted for using equity method" and necessary rating adjustment is conducted so that current profit and loss and other comprehensive income in the Individual Financial Statements and the current profit and loss and other comprehensive income (loss) attributable to owners of the parent company in the Consolidated Financial Statements are equivalent, and the owner's equity in the Individual

Financial Statements is equivalent to the equity attributable to owners of parent company in the Consolidated Financial Statements. Such adjustments are made in consideration of the differences between the investment in subsidiaries in the Consolidated Financial Statements in accordance with IFRS 10 - Consolidated Financial Statements, and the applicable IFRS reporting at different levels, and either debits or credits the "investment accounted for using equity method," "profit or loss from subsidiaries, affiliates, and joint venture accounted for using equity method," or "other comprehensive income (loss) from subsidiaries, affiliates, and joint venture accounted for using equity method."

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

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

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

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

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

policies.

Pursuant to IFRS 28 - Investments in Associates and Joint Ventures (IAS 39 - Financial Instruments, Recognition and Measurement before January 1, 2018), the Company confirms whether there is objective evidence that the investment in the affiliate has been impaired. If there is objective evidence of impairment, the Company will use the difference between the recoverable amount and the carrying amount of the affiliate in accordance with the IFRS 36 - Impairment of Assets. The amount of the impairment is calculated and the amount is recognized in the profit or loss of the affiliate. In case the aforementioned recoverable amount adopts the useful value of the investment, the Company will determine the relevant useful value based on the following estimates:

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

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

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

10. Property, plant, and equipment

Property, plant, and equipment is recognized at the acquisition cost less accumulated depreciation and accumulated impairment. The aforementioned cost includes the dismantling of property, plant, and equipment, removing, and restoring the site on which it is located, and any necessary interest expense arising from unfinished construction. If the various component of property, plant or equipment is material, it shall be separately recognized for depreciation. When the material components of property, plant, and equipment requires to be regularly replaced, the Company will see the item as a separate asset and to separately recognize it through its useful life and depreciation method. The carrying amount of the replaced component will be derecognized in accordance with the

derecognition rule in IAS 16 - Property, Plant, and Equipment. When material inspection cost complies with criteria for recognition, it will be treated as a replacement cost and recognized as a part of the carrying amount of the property, plant, and equipment. All other fixture and maintenance expense will be recognized in profit or loss.

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

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

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

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

11. Lease

The Company is the lessee

Lease benefits under operating lease will be recognized as expense under the straight-line method during the lease period.

The Company is the lessor

All substantial risks and remuneration of the ownership of the leased items not transferred by the Company will be classified as operating lease. The initial direct cost arising from the arrangement of the operating lease is an addition to the carrying amount of the leased asset, and is recognized on the same basis as the rental revenue over the lease term. Rental revenue arising from operating lease will be recognized using the straight-line method during the lease term. Contingent rent will be recognized as revenue during the period in which rent will be available.

12. Intangible asset

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

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

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

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

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

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

	Computer software
Useful life	1~5 years
Amortization method used	Straight-line amortization during the expected useful life
Internally-arising or acquired externally	Acquired externally

13. Non-monetary impairment

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

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

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

14. Revenue recognition

Accounting treatment as of January 1, 2018:

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

Sales of goods

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

ownership of the goods is transferred to the customer, while the rest will be recognized as contractual liability based on the acquisition price.

Retail customers of the Company have the right to enjoy discount during future purchase with the points they collect. When points are collected from customer use or when the points expire one year after the initial sales, revenue from the points given will be recognized, and relevant contractual liability will be adjusted accordingly.

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

Provision of service

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

Accounting treatment prior to January 1, 2018:

Revenue is recognized when economic benefits are very likely to flow into the Company and amounts can be reliably measured. Revenue is measured by fair value through the considerations already received or are receivable. The conditions and methods for recognizing various revenues are as follows:

Sale of goods

Revenue from sale of goods will be recognized when all of the following conditions have been met: material risks and compensations associated with ownership of the product have been transferred to the buyer, no continued participation in management nor is effective control maintained for goods that are sold, considerations of revenue can be reliably measured, economic benefits related to the transaction are highly likely to flow into the Company, and costs related to the transaction can be reliably measured.

The Company distributes the fair value of the sale of goods received to the goods sold and customer loyalty program for the sale of goods transaction that has provided the customer with the loyalty program. The fair value of the customer loyalty program can be separately measured in considering the allocation of the corresponding amount to the loyalty

program. Revenue allocated to customer loyalty program should be deferred, and revenue should be recognized when the customer exchanges the points toward the program.

Provision of service

Service revenue of the Company mostly come from provision of management service. Revenue will be recognized at service completion.

Interest revenue

The interest revenue of financial assets measured at amortized costs (including loans and accounts receivable and held-to-maturity financial assets) and financial assets available-for-sale, shall be estimated through effective interest method, and the interest revenue will be recognized in profit or loss.

15. Retirement pension plan

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

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

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

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

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

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

16. Share-based payment transaction

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

The cost of the equity-settled share-based payment transaction is gradually recognized when service terms and performance conditions are met, and when the equity recognized by the counterparty increases. The accumulated expense from equity-settled share-based payment transactions before the end of every reporting period before the vesting date, is a reflection on the passing of the vesting period at the best estimate from the Company for the number of equity instruments that the Company will ultimately own. At the beginning and end of each reporting period, the cumulative cost changes recognized for the share-based payment transactions will be recognized in profit or loss for the period.
If ultimately, the bonus for share-based payment does not meet the vesting criteria, no expense shall be recognized. However, if the vesting conditions of the equity delivery transaction are related to market conditions or non-vested conditions, when all service or performance conditions are met, related expenses shall be recognized whether the market conditions or non-vested conditions have been met or otherwise.

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

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

replace the existing on the grant date, the cancelled and the new granted reward will be treated as modifications to the existing plan.

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

17. 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

Current income tax

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

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

Deferred income tax

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

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

(1) Initial recognition of goodwill; or the initial recognition of an asset or liability not arising from a business combination transaction and does not affect accounting profits or taxable income (loss) at the time of the transaction;

(2) Arising from investment in subsidiaries, affiliates or joint ventures, whose point of reversal can be controlled and there may not be any taxable temporary difference that shall be reversed in the foreseeable future.

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

(1) Deductible temporary difference arising from business combination with a non-affiliate, and is related to initial recognition of assets or liabilities that do not affect accounting profit or loss of taxable income (loss) at the time of transaction;

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

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

For deferred tax assets and liabilities, only the offset between 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.

V. The primary sources of uncertainties in major accounting judgments, estimates, and assumptions

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

Estimates and assumptions

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

(1) Fair value of financial instruments

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

(2) Accounts receivable - estimates on impairment loss

Starting from January 1, 2018

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

Before January 1, 2018

When objective evidence indicate signs of impairment, the consolidated company shall

take estimate of future cash flow into account. Impairment loss shall be measured as the difference between the carrying amount of the asset and the estimated future cash flow (excluding future credit loss that has yet to be incurred) based on the initial effective discounted present value of the financial asset. However, the discounted effect of short-term receivables is not significant, and the impairment loss shall be measured as the difference between the carrying amount of the assets and the undiscounted estimated future cash flows. If the actual cash flow in the future is less than the estimate, there may be material impairment loss. Please see Note 6 for details.

(3) Inventory

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

(4) Retirement pension plan

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

(5) Share-based payment transaction

Cost of equity settlement transaction between the Company and our employees are measured by the fair value of the equity instrument on the grant date. When estimating the fair value of the share-based payment transaction, the best pricing model should be determined based on the benefit conditions. These estimates also require determining the best parameters used in the pricing model, including: expected duration of the stock options, estimated fluctuations, estimated rate of dividend, and any assumptions made therein. Please see Note 6 for explanations on the assumptions and models used to measure the fair value of the share-based payment transaction.

(6) Income tax

Uncertainties for income tax exist in the interpretation of complex tax laws, and the future taxable amounts and time points. Due to the prevalence of international business relationships and the long-term nature and complexity of contracts, there may be

differences between the actual results and assumptions made, or alternatively, such assumptions in the future may force recorded interest tax benefits and expenses to be adjusted in the future. Recognition of income tax is based on reasonable estimates of the possible audit results of the tax authorities of the countries in which the Company operates. Amounts recognized are based on different elements, for instance, the past experience of tax review and the taxation subject may have different interpretations of the tax law from the taxation authority. Differences in these interpretations could lead to various issues due to the conditions of the countries in which the Company operates.

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

VI. Explanations of significant accounting items

1. Cash and cash equivalents

	2018.12.31	2017.12.31
Cash in treasury and petty cash	$5,028	$3,916
Cheques and demand deposit	476,218	237,929
Fixed deposit	70,000	13,620
Total	$551,246	$255,465

2. Financial assets measured at amortized costs

	2018.12.31	2017.12.31 (Note)
Restrictive fixed deposit	$24,000	
Fixed deposit	3,000	
Less: allowance for loss	-	
Total	$27,000	
Current	$24,000	
Non-current	$3,000	

Note: The Company has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

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

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

3. Debt instrument investments without active market

	2018.12.31 (Note)	2017.12.31
Restrictive fixed deposit		$24,000
Fixed deposit		30,240
Total		$54,240
Current		$51,240
Non-current		$3,000

Note: The Company has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

The Company classified certain financial instrument as debt instrument investments without active market prior to January 1, 2018. The aforementioned debt instrument investment has not had conditions of endorsement/guarantee.

4. Notes receivable

	2018.12.31	2017.12.31
Notes receivable - from operating activities	$1,563	$502
Less: allowance for loss	-	-
Total	$1,563	$502

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

The Company has adopted IFRS 9 in valuation of impairment as of January 1, 2018. Please see Note 6 for information on allowance for loss. 20. Please see Note 12 for information on credit risk.

5. Net accounts receivable and payables - related parties

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

	2018.12.31	2017.12.31
Total accounts receivable	$316,787	$248,700
Less: allowance for loss	(59)	-
Subtotal	316,728	248,700
Total accounts receivable - related parties	189,985	142,322
Less: allowance for loss	-	-
Subtoal	189,985	142,322
Total	$506,713	$391,022

(2) The aforementioned accounts receivable has not had conditions of endorsement/guarantee.

(3) The Company's credit line to customers is usually 120 days. The Company has adopted IFRS 9 in valuation of impairment as of January 1, 2018. Please see Note 6 for information on allowance for loss for year 2018. 20 IAS 39 was adopted for valuation of impairment prior to January 1, 2018. The information on the changes in bad debts and ageing analysis for the impairment of accounts receivable in year 2017 is as follows (please see Note 12 for credit risk disclosure):

	Separately evaluated impairment loss	Group-evaluated impairment loss	Total
2017.01.01	$-	$-	$-
Amount incurred (or reversed) in the year	-	-	-
Written off for unrecoverable reason	-	-	-
2017.12.31	$-	$-	$-

(4) Ageing analysis of accounts receivable and accounts receivable - related parties are as follows:

		Overdue but not yet impaired accounts receivable		
	Not overdue and no impairment	31-180 days	More than 181 days	Total
2017.12.31	$390,593	$383	$46	$391,022

6. Inventory

(1) Net inventory is as follows:

	2018.12.31	2017.12.31
Goods on hand	$555,057	$391,681

(2) The Company recognized inventory cost of NT$3,752,897,000 and NT$2,735,918,000 in 2018 and 2017 respectively, including the following expenses:

Item	2018	2017
Allowance for inventory valuation and obsolescence loss	$-	$389
Inventory scrap loss	3,256	1,079
Inventory loss	4,766	3,033
Total	$8,022	$4,501

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

7. Investments accounted for using equity method

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

	2018.12.31		2017.12.31	
Investee	Amount	Shareholding ratio	Amount	Shareholding ratio
Investment in subsidiary:				
Ivy Biotechnology Co., Ltd.	$85,176	100%	$57,108	100%
Bai-Lin Logistics Co., Ltd.	1,971	100%	2,362	100%
Total	$87,147		$59,470	

(1) Investments in subsidiaries are expressed in "investments accounted for using equity method" in the Individual Financial Statements.

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

8. Property, plant, and equipment

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Cost:					
2018.01.01	$14,524	$177,679	$189,819	$10,900	$392,922
Acquisition	-	60,582	63,496	41,787	165,865
Disposal	(658)	(2,411)	(2,253)	(1,357)	(6,679)
Transfer	-	-	-	-	-
2018.12.31	$13,866	$235,850	$251,062	$51,330	$552,108
2017.01.01	$12,050	$127,393	$133,979	$12,789	$286,211
Acquisition	2,496	50,286	55,840	1,638	110,260
Disposal	(22)	-	-	(3,527)	(3,549)
Transfer	-	-	-	-	-
2017.12.31	$14,524	$177,679	$189,819	$10,900	$392,922

	Transportation vehicle	Office equipment	Leasehold improvements	Other equipment	Total
Depreciation and impairment:					
2018.01.01	$9,138	$70,540	$46,942	$4,468	$131,088
Depreciation	821	27,190	23,125	4,864	56,000
Disposal	(548)	(388)	(288)	(497)	(1,721)
Transfer	-	-	-	-	-
2018.12.31	$9,411	$97,342	$69,779	$8,835	$185,367
2017.01.01	$8,510	$50,606	$30,857	$5,733	$95,706
Depreciation	645	19,934	16,085	2,262	38,926
Disposal	(17)	-	-	(3,527)	(3,544)
Transfer	-	-	-	-	-
2017.12.31	$9,138	$70,540	$46,942	$4,468	$131,088
Net carrying amount:					
2018.12.31	$4,455	$138,508	$181,283	$42,495	$366,741
2017.12.31	$5,386	$107,139	$142,877	$6,432	$261,834

Aforementioned property, plant, and equipment has not had conditions of endorsement/guarantee.

9. Intangible asset

	Computer software
Cost:	
2018.01.01	$4,912
Acquisition - separately acquired	5,635
Derecognized at the end of useful life	(851)
Other changes	-
2018.12.31	$9,696
2017.01.01	$1,205
Acquisition - separately acquired	4,060
Derecognized at the end of useful life	(353)
Other changes	-
2017.12.31	$4,912
Amortization and impairment:	
2018.01.01	$1,915
Amortization	5,571
Derecognized at the end of useful life	(851)
Other changes	-
2018.12.31	6,635
2017.01.01	$765
Amortization	1,503
Derecognized at the end of useful life	(353)
Other changes	-
2017.12.31	$1,915
Net carrying amount:	
2018.12.31	$3,061
2017.12.31	$2,997

Amortization for recognition of intangible assets is as follows:

	2018	2017
Operating expenses	$5,571	$1,503

10. Other non-current assets

	2018.12.31	2017.12.31
Prepaid equipment	$18,250	$8,750
Refundable deposits	48,038	42,345
Long-term prepaid rent	6,432	-
Total	$72,720	$51,095

11. Short-term loans

(1) Details of short-term loans are as follows:

	Range of interest rates (%)	2018.12.31	2017.12.31
Unsecured bank loan	1.25%	$-	$70,000

(2) As of December 31, 2018 and December 31, 2017, the Company's unused short-term borrowing credits are NT$100 million and NT$310 million, respectively.

12. Financial liabilities measured at fair value through profit or loss

	2018.12.31	2017.12.31
Embedded derivative financial instruments		
Issuance of redemption rights for domestic convertible corporate bonds	$3,690	$-
Current	$-	$-
Non-current	3,690	-
Total	$3,690	$-

13. Other payables

	2018.12.31	2017.12.31
Expenses payable	$92,903	$68,193
Equipment payable	9,695	5,873
Total	$102,598	$74,066

14. Other current liabilities

(1) Details of other current liabilities are as follows:

	2018.12.31	2017.12.31
Prepaid sale of goods	Note	$241
Other current liabilities	$9,017	7,667
Deferred revenue - customer loyalty program	Note	2,402
Total	$9,017	$10,310

(2) Customer loyalty program

	2018 (Note)	2017
Beginning balance		$2,092
Added in the current period		2,065
Used in the current period		(818)
Expired in the current period		(937)
Ending balance		$2,402

	2018.12.31 (Note)	2017.12.31
Current		$2,402
Non-current		-
Total		$2,402

Note: The Company has adopted IFRS 15 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 15.

15. Bonds payable

(1) Details of bonds payable are as follows:

	2018.12.31	2017.12.31
Elements of liability:		
Nominal amount of domestic convertible bond payable	$300,000	$-
Less: discount on domestic convertible bond payable	(13,431)	-
Subtotal	286,569	-
Less: portion maturing within 12 months	-	-
Net balance	$286,569	$-
Embedded derivative financial instruments - redemption rights	$3,690	$-
Equity element - conversion rights	$10,001	$-

Please Note 6 for valuation of profit or loss for embedded derivative financial instruments - redemption rights and the recognition of interest expense from corporate bonds. 23

(2) The Company has issued the first batch of unsecured convertible bonds on June 12, 2018 with the following issuance terms:

(A)	Total issuance:	NT$300 million
(B)	Date of issuance:	2018.06.12
(C)	Issued price:	Issuance at par
(D)	Coupon rate:	0%
(E)	Duration:	June 12, 2018~June 12, 2021
(F)	Repayment at maturity:	Unless the bondholders convert into ordinary shares of the company in accordance with Article 10 of the present Procedures, or exercise the right of selling under Article 19 of the present Procedures, or the Company redeems in advance or exercise redemption at securities firm in accordance with Article 18 of these Procedures, the Company will repay the converted bonds held by bondholders in cash in accordance

		with the denomination of the bonds when the Company's conversion of bonds expires.
(G)	Conversion period:	Starting from the day after the 3-month period of issuance of this convertible bond (September 13, 2018) to the date due (June 12, 2021), except for (1) stock transfer is halted pursuant to applicable laws; (2) 15 business days before the Company's ex-dividend date for share or cash dividend distribution or ex-stock transfer date for capital increase, until the base date for right distribution, (3) capital reduction base-date to one day before the capital reduction in issuance of shares, the creditor may at any time request the Company to convert the convertible bond into ordinary shares of the Company in accordance with the provisions of the present Procedure.
(H)	Conversion price and adjustments:	The price of conversion was set at NT$90.8 per share during issuance. In the event of an adjustment of the conversion price of the Company's ordinary share conversion rights or stock options in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance. Due to capital increase and surplus transfer in 2018, the Company's conversion price adjustment was carried out in accordance with the provisions of the first batch of domestic unsecured convertible corporate bonds issuance and conversion procedures. Therefore, from July 19, 2018, the conversion price was adjusted from NT$90.8 to NT$79.8.
(I)	The Company's redemption rights:	(1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to forty days before the expiration of the issuance period (May 3, 2021). 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 started in Article 9.) (The

		bondholder will be based on the boldholder'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 in five business days after the bond recovery base date. (1) The conversion of corporate bonds shall be from the day after the expiration of three months from the date of issue (September 13, 2018) to forty days before the expiration of the issuance period (May 3, 2021). 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 boldholder'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 in five business days after the bond recovery base date. (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 on the maturity date at nominal value.
(J)	Puttable rights of bondholders:	The base date for selling the convertible bonds back in advance is the two-year issuance date (June 12, 2020) of the convertible bonds. (1) Forty days before the base date (May 3, 2021) of put option, the Company may send a "puttable right notification" to the bondholder by registered mail. (The

bondholder will be based on the boldholder's register on the fifth business day prior to the date of the "puttable option notification," 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 in five business days after the bond recovery base date. Creditor can reply to the Company's share transfer agency before the bond puttable option date denoted on the "puttable right notification" by writing (the notice is effective at the time of delivery, and takes postmark as its basis), and request the Company to redeem the bonds held in cash by using the bond denomination plus interest compensation (101.0025% of the bond denomination for the two years, or substantial rate of return 0.50%). After accepting the puttable option request, the Company shall redeem the bond in cash within five business days after the puttable option date. If the Taipei Exchange is not in operation, the above date will be postponed to the next business day.

16. Retirement pension plan

Defined allocation plan

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

The Company recognized defined allocation expense of NT$18,194,000 and NT$14,286,000 in 2018 and 2017 respectively.

Defined benefit plan

The Company's employee retirement method adopts the defined benefit plan pursuant to the Labor Standards Act. Payment of employee pension is calculated on the base points of

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

The Bureau of Labor Funds, Ministry of Labor, Executive Yuan, undertakes asset allocations based on the income and expenditure of the employee retirement fund. Investment of the fund is invested in self-operated and entrusted management methods, and adopts active and passive management medium- to long-term investment strategies. The Bureau of Labor Funds takes risks including market, credit, and liquidity into consideration in setting limits and control plan for the fund so that adequate flexibility can be used toward the compensation objective without excessive risk. As of December 31, 2018, the Company's defined benefit plan is expected to allocate NT$43,000 within the following year.

As of December 31, 2018 and December 31, 2017, the Company's defined benefit plan is expected to be realized by years 2036 and 2034.

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

	2018	2017
Current service cost	$-	$-
Net interest from net defined benefit assets (liabilities)	56	62
Total	$56	$62

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

	2018.12.31	2017.12.31	2017.01.01
Present value of the defined benefit obligations	$7,048	$6,538	$6,198
Fair value of plan assets	(3,355)	(3,015)	(2,764)
Other non-current liabilities - net defined benefit liabilities recorded	$3,693	$3,523	$3,434

Adjustments to the net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	Fair value of plan assets	Net defined plan liabilities (assets)
2017.01.01	$6,198	$(2,764)	$3,434
Current service cost	-	-	-
Interest expense (income)	112	(50)	62
Past service cost and settlement gain or loss	-	-	-
Subtotal	6,310	(2,814)	3,496
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	61	-	61
Actuarial gains or losses from financial assumptions	209	-	209
Experience-based adjustments	(42)	-	(42)
Remeasurement of defined benefit assets	-	22	22
Subtotal	228	22	250
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2017.12.31	$6,538	$(3,015)	$3,523
Current service cost	-	-	-
Interest expense (income)	104	(48)	56
Past service cost and settlement gain or loss	-	-	-
Subtotal	6,642	(3,063)	3,579
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains or losses from demographic assumptions	-	-	-
Actuarial gains or losses from financial assumptions	504	-	504
Experience-based adjustments	(98)	-	(98)
Remeasurement of defined benefit assets	-	(69)	(69)
Subtotal	406	(69)	337
Benefits paid	-	-	-
Employer allocations	-	(223)	(223)
Effects of changes in foreign exchange rates	-	-	-
2018.12.31	$7,048	$(3,355)	$3,693

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

	2018.12.31	2017.12.31
Discount rate	1.16%	1.60%
Expected rate of salary increase	2.00%	2.00%

Sensitivity analysis of every material actuarial assumption:

	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
0.5% increase in discount rate	$-	$567	$-	$511
0.5% decrease in discount rate	667	-	609	-
0.5% increase in expected salary	658	-	603	-
0.5% decrease in expected salary	-	565	-	511

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

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

17. Equity

(1) Common Stock

As of December 31, 2018 and December 31, 2017, the Company's authorized share capital is NT$600 million and has issued NT$365,516 thousand and NT$305,015 thousand in shares respectively. Each share has a par value of NT$10, and 36,551 thousand shares and 30,501 thousand shares were issued respectively. Each share has one voting right and right to receive dividend.

On March 9, 2018, the Company's Board of Directors' meeting has approved the

capital increase of NT$30 million at the issued price of NT$62 per share. July 19, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$335,015 thousand with par value of NT$10 at 33,501 thousand shares.

On June 29, 2018, the Company's Annual Shareholders' Meeting has approved the capital increase of NT$30,501 thousand. Upon approval from the Board of Directors, August 9, 2018 was set to be the base date of the capital increase, and the paid-in capital after the increase is NT$365,516 thousand with par value of NT$10 at 36,551 thousand shares.

(2) Capital surplus

	2018.12.31	2017.12.31
Share premium of ordinary shares	$421,308	$265,308
Employee stock options	2,928	2,952
Stock options	10,001	-
Expired stock options	1,562	1,279
Total	$435,799	$269,539

According to the law, the capital reserve shall not be used except to make up for 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 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 competent authority. The remainder of which and any accumulated retained

earnings 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.

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' bonus. Nevertheless, when distributable net income is less than 10% of the paid-in capital, the Company may propose not to appropriate any bonus.

II. In consideration of a balanced and stable dividend policy, the Company will appropriate either share or cash dividend accordingly. Appropriations of cash dividend shall be no less than 10% of the annual total dividends.

C. Legal capital reserve

Pursuant to the Company Act, legal capital reserve shall be appropriated until the total sum of which has reached the paid-in capital. Legal capital reserve shall be used toward making up for deficit. When the Company does not have past deficits, the Company pay 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

After adoption of the IFRS, pursuant to Directive Letter No. 1010012865 from the FSC, during first-time adoption, on the conversion date, the Company's conversion adjustment of unrealized revaluation increment and cumulative conversion adjustment to the retained earnings portion due to adoption of IFRS 1 - First-time Adoption of IFRS' exemption item granted the Company the option of appropriating the same amount of special capital reserve. After adoption of IFRS in preparing financial statements, 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. Subsequently, if other

shareholders' equity deduction has reversed, the reversal shall be applicable to earnings distribution.

The Company has not had conditions where special capital reserve appropriation has occurred due to first-time adoption of IFRS.

E. During the Company's Board of Directors' Meeting on March 28, 2019, and Annual Shareholders' Meeting on June 29, 2018, the appropriations of net income for 2018 and 2017 have been separately proposed and approved with the following details:

	Appropriation of net income		Dividends per share (NT$)	
	2018	2017	2018	2017
Legal capital reserve	$10,600	$10,242		
Cash dividends for ordinary shares	47,517	54,902	$1.3	$1.8
Stock dividends for ordinary shares	47,517	30,501	1.3	1.0
Total	$105,634	$95,645		

Please Note 6.22 for information on the standards of estimate and recognition of amounts of employee compensation and remunerations of the Directors.

18. Share-based payment plan

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

Employee share-based payment plan

Upon approval from the FSC's Securities and Futures Bureau, the Company has issued 1,000 units of employee stock options on September 12, 2014. 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 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 five years.
Information on the aforementioned share-based payment is as follows:

Grant date of the stock option certificate	Total units issued	Execution price per unit (NT$)
2014.10.01	835	32.91
2014.11.01	113	32.91

(1) The following pricing model and assumptions are used toward the share-based payment plan granted in 2014:

	2014
Expected fluctuation rate (%)	23.38%-24.37%
Risk-free interest rate (RFR) (%)	1.12%-1.316%
Expected year of 100% stock subscription (year)	5
Weighted-average stock price (NT$)	40.48
Pricing model used	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 in 2018 and 2017:

	2018		2017	
	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 1st	614	$32.91	948	$36.66
Stock options granted in the current period	-	-	-	-
Stock subscriptions in the current period	-	-	-	-
Stock options expired in the current period	(57)	-	(334)	-
Outstanding stock options on December 31st	557	32.91	614	36.66

Executable stock options on December 31st	334	368
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 December 31, 2018 and December 31, 2017:

	Execution price	Weighted-average remaining duration (year)
Outstanding stock options on December 31, 2018	$32.91	0.75 years
Outstanding stock options on December 31, 2017	$36.66	1.75 years

(4) The Company's recognition of employee share-based payment expenses in 2018 and 2017 are as follows:

	2018	2017
Recognized expenses due to share-based payment transactions (All are equity delivery share-based payment)	$259	$600

19. Operating revenue

	2018 (Note)	2017
Revenue from customer contracts		
Revenue from sale of goods	$4,890,702	$3,567,948
Revenue from provision of service	23,391	38,737
Total	$4,914,093	$3,606,685

Note: The Company has adopted IFRS 15 in treatment of revenue from customer contracts as of January 1, 2018.

The Company has adopted IFRS 15 in treatment of revenue from customer contracts as of January 1, 2018. Information on revenues from customer contracts is as follows:

(1) Breakdown of revenue

	Single department
Sales revenue	$4,890,702
Service revenue	23,391
Total	$4,914,093
Timing of revenue recognition:	
At a fixed point in time	$4,914,093

(2) Contract balance

A. Contract liability - current

	Beginning balance	Ending balance	Differential
Sales of goods	$241	$598	$357
Customer loyalty program	2,402	3,800	1,398
Total	$2,643	$4,398	$1,755

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

	Sales of goods	Customer loyalty program
Beginning balance is recognized as revenue in the current period	$(70)	$(1,901)
Estimated increase in advance payment in the current period	427	3,299

20. Estimated credit impairment loss (benefit)

	2018	2017
Operating expense - estimated credit impairment loss		

Accounts receivable	$59	(Note)

Note: The Company has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

Please see Note 12 for information on credit risk.

(1) The Company's receivables (including notes receivable and accounts receivable) take into account factors including credit worthiness of the counterparty, regional and industrial factors, and use the expected credit loss amount during the lifetime to measure the allowance loss. Information for assessing the amount of allowance for loss in 2018 is as follows:

(2) Information on the changes in allowances for notes receivable and accounts receivable of the Company for 2018 is as follows:

		Days overdue		
	Not overdue (Note)	31-180 days	More than 181 days	Total
Total carrying amount	$508,222	$108	$5	$508,335
Rate of loss	0%	50%	100%	
Expected lifetime credit loss	-	(54)	(5)	(59)
Carrying Amount	$508,222	$54	$-	$508,276

	Notes receivable	Accounts receivable
Beginning balance (in accordance with IAS 39)	$-	$-
Beginning adjustment of retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	-
Increase in the period	-	59
Ending balance	$-	$59

21. Operating lease

The Company is the lessee

The Company has signed commercial lease contracts for storefronts and automobiles with an average life of 1 to 18 years and has the right to renew the lease. There are no restrictive covenants on the Company in these contracts.

Based on the non-cancelable operating lease contracts, the total future minimum lease payments for years ending on December 31, 2018 and December 31, 2017 are as follows:

	2018.12.31	2017.12.31
Less than 1 year	$186,439	$154,174
More than 1 but no more than 5 years	719,951	559,186
More than 5 years	677,289	526,196
	$1,583,679	$1,239,556

Recognition of operating lease expenses is as follows:

	2018	2017
Minimum rental lease payment	$180,524	$140,257

The Company is the lessor

The storefront lease contracts the Company has signed all have a balance of less than 1 year. All tenancy agreements include clause that stipulates rent can be adjusted based on current market conditions in each year.

Based on the operating lease contracts, the future minimum rent payment from lessees on December 31, 2018 and December 31, 2017 are as follows:

	2018.12.31	2017.12.31
Less than one year	$20,828	$22,744

The Company recognized lease revenue of NT$23,242,000 and NT$21,780,000 in 2018 and 2017 respectively.

Some leases were lease contracts after the Company rents a property. Rental costs of NT$20,769,000 and NT$19,080,000 in 2018 and 2017, which were recognized as deductions to rental revenue.

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

Function / Characteristic	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	$-	$324,281	$324,281	$-	$252,442	$252,442
Labor and health insurance expenses	-	36,252	36,252	-	28,476	28,476
Pension expenses	-	18,250	18,250	-	14,348	14,348
Remunerations of Directors	-	3,926	3,926	-	3,438	3,438
Other employee benefit expenses	-	30,125	30,125	-	22,910	22,910
Depreciation expenses	-	56,000	56,000	-	38,926	38,926
Amortization expenses	-	5,571	5,571	-	1,503	1,503

Note: As of December 31, 2018 and December 31, 2017, the Company has had 928 and 726 employees respectively, in which three of whom were Directors who do not concurrently hold positions as employees of the Company.

The Company's Articles of Incorporation provide that if there is profit in the year, 3 to 10 percent 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/Supervisors by 3% and 0.89% respectively based on profitability conditions. Employee compensation and remunerations of the Directors and Supervisors recognized in 2018 were NT$4,071,000 and NT$1,208,000, respectively. Employee compensation and remunerations of the Directors and Supervisors recognized in 2017 were NT$3,715,000 and NT$1,102,000, respectively.

The aforementioned amounts were recorded under compensation expenses. If the Board of Directors approves of appropriation of share-based employee bonus, the closing price on the date before the Board's resolution will be used as the basis of the share distribution. If difference is found between the estimate and the actual distributions after the Board's approval, the difference will be recorded as profit or loss in the subsequent year.

On March 28, 2019, he Company's Board approved of distribution of cash-based employee compensation and remunerations of the Directors and Supervisors for 2018 of NT$4,071,000 and NT$1,208,000, respectively. No material difference is found between the actual distributions and the expenses recognized on the 2018 financial statements.

Actual distribution of employee compensation and remunerations of the Directors and Supervisors in 2017 had no material difference from the expenses recognized in financial statements.

23. Non-operating revenue and expenses

(1) Other income

	2018	2017
Interest revenue	$1,415	$1,000
Rental revenue	2,473	2,700
Other revenue - others	2,891	1,816
Total	$6,779	$5,516

(2) Other profits and losses

	2018	2017
Gain (loss) from disposal of property, plant, and equipment	$(482)	$(5)
Net exchange gain (loss)	418	(2,236)
Investment disposal gain (loss)	-	16
Financial liability gains and losses measured at fair value through profit or loss	(2,250)	-
Other losses	(334)	(42)
Total	$(2,648)	$(2,267)

(3) Finance costs

	2018	2017
Interest from short-term loans	$428	$217
Interest expense from corporate bonds	2,986	-
Total	$3,414	$217

24. Components of the other comprehensive income (loss)

Components of the other comprehensive income (loss) for year 2018 include the following:

Items that will not be reclassified to profit or loss:	Arising in current period	Reclassification and adjustment in current period	Subtotal	Tax benefits (expenses)	After-tax amount
Remeasurement of defined benefit plans	$(337)	$-	$(337)	$-	$(337)

Components of the other comprehensive income (loss) for year 2017 include the following:

Items that will not be reclassified to profit or loss:	Arising in current period	Reclassification and adjustment in current period	Subtotal	Tax benefits (expenses)	After-tax amount
Remeasurement of defined benefit plans	$(250)	$-	$(250)	$-	$(250)

25. Income tax

(1) Major components of the 2018 and 2017 income tax expenses (gains) include the following:

Pursuant to amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable business income tax rate has been adjusted from 17% to 20%

as of 2018. Surtax on unappropriated retained earnings has been adjusted from 10% to 5%.

Income tax recognized in profit or loss

	2018	2017
Current tax expenses (gains):		
Current tax payable	$25,284	$16,548
Adjustments in respect of current income tax of prior periods	210	(236)
Deferred tax expenses (gains):		
Deferred tax expenses (gains) related to initial recognition of temporary difference and its reversal	(845)	298
Deferred tax related to tax change changes or new taxable items	(235)	-
Income tax expense (gains)	$24,414	$16,610

(2) Income tax recognized in other comprehensive income (loss)

	2018	2017
Deferred tax expenses (gains):		
Remeasurement of defined benefit plans	$-	$-

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

	2018	2017
Profit before tax for continuing operations	$130,416	$119,028
Tax calculated at the domestic tax rate applicable to the income in relevant country	$26,083	$20,235
Tax effects of tax-exempt income	(3,436)	(4,117)
Tax effects of non-deductible expenses	1,140	(204)
10% surtax on unappropriated retained earnings	652	932
Adjustments in respect of current income tax of prior periods	210	(236)
Effects of tax rate changes	(235)	-

Tax expense (benefits) recognized in profit or loss	$24,414	$16,610

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

2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$108	$19	$-	$-	$127
Exchange loss (gain)	160	(55)	-	-	105
Deferred revenue	408	352	-	-	760
Unrealized profit on sales	644	323	-	-	967
Employee benefits	9	(9)	-	-	-
Valuation loss on financial liabilities	-	450	-	-	450
Deferred tax expense/gain		$1,080	$-	$-	
Deferred net tax asset (liabilities)	$1,329				$2,409
Information stated on balance shee is as follows:					
Deferred tax assets	$1,329				$2,409
Deferred tax liabilities	$-				$-

2017

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
Temporary differences					
Allowance for inventory valuation and obsolescence loss	$42	$66	$-	$-	$108
Exchange loss (gain)	404	(244)	-	-	160
Deferred revenue	355	53	-	-	408
Unrealized profit on sales	766	(122)	-	-	644
Employee benefits	60	(51)	-	-	9
Deferred tax expense/gain		$(298)	$-	$-	
Deferred net tax asset (liabilities)	$1,627				$1,329
Information stated on balance shee					

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Directly recognized in equity	Ending balance
is as follows:					
Deferred tax assets	$1,627				$1,329
Deferred tax liabilities	$-				$-

(5) Filing and review of income tax

As of December 31, 2018, the Company's income tax filing and review conditions are as follows:

	Filing of income tax
The Company	Reviewed to 2016

26. Earnings per share (EPS)

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

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

(1) Basic EPS

	2018	2017
Net income (in NT$1,000)	$106,002	$102,418
weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	35,272	33,552
Basic earnings per share (NT$)	$3.01	$3.05

(2) Diluted EPS

	2018	2017
Net profit attributable to holders of the parent company's ordinary shares	$106,002	$102,418
Redemption gain or loss from issuance of domestic convertible bonds	2,250	Not applicable
Interest from convertible bonds	2,573	Not applicable
Net profit attributable to holders of the parent company's ordinary shares after dilutive effect	$110,825	$102,418
weighted-average number of ordinary shares of earnings per share (in 1,000 shares)	35,272	33,552
Dilutive effect:		
Employee bonus - shares (in 1,000 shares)	75	52
Employee stock options (in 1,000 shares)	250	350
Convertible bonds (in 1,000 shares)	3,759	Not applicable
Weighted-average number of ordinary shares after adjustments for dilutive effects (in 1,000 shares)	39,356	33,954
Diluted EPS (NT$)	$2.82	$3.02

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.

VII. Related party transactions

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

Name and relationship of the related parties

Name of related party	Relations with the Company
Ivy Biotechnology Co., Ltd.	Subsidiary
Bai-Lin Logistics Co., Ltd.	Subsidiary

2. Material transaction matters with related parties

(1) Sale of goods

	2018	2017
Ivy Biotechnology Co., Ltd.	$-	$2,185
Bai-Lin Logistics Co., Ltd.	1,585,033	1,084,714
Total	$1,585,033	$1,086,899

Products sold to related party Ivy Biotechnology Co., Ltd. from the Company did not have any material differences in transaction prices than transactions with the average customer. And products sold to related party Bai-Lin Logistics Co., Ltd. were approximately at cost. Additionally, terms of sale were credit for 30 days and offsets between debts and claims were allowed, while the terms of sale for the average customer ranged from credit for 60 days to 120 days.

(2) Purchases

	2018	2017
Ivy Biotechnology Co., Ltd.	$185,185	$137,484

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

(3) The Company's revenue from re-leased storefronts to subsidiaries in 2018 and 2017 were NT$7,598,000 and NT$7,998,000, respectively.

(4) The Company's revenue recognized for provision of service from subsidiaries in 2018 and 2017 were NT$600,000.

(5) Accounts receivable - related parties

	2018.12.31	2017.12.31
Ivy Biotechnology Co., Ltd.	$343	$348
Bai-Lin Logistics Co., Ltd.	189,642	141,974
Less: allowance for loss	-	-

Net amount	$189,985	$142,322

(6) Other receivables - related parties

	2018.12.31	2017.12.31
Ivy Biotechnology Co., Ltd.	$9,495	$5,819

(7) Notes payable - related parties

	2018.12.31	2017.12.31
Ivy Biotechnology Co., Ltd.	$11,619	$18,030

(8) Accounts payable - related parties

	2018.12.31	2017.12.31
Ivy Biotechnology Co., Ltd.	$19,354	$14,006

(9) Guarantee deposit

	2018.12.31	2017.12.31
Ivy Biotechnology Co., Ltd.	$240	$240

(10) Bonuses for the Company's key managerial officers

	2018	2017
Short-term employee benefits	$7,754	$8,861
Retirement benefits	465	532
Share-based payment	97	120
Total	$8,316	$9,513

VIII. Assets pledged

The Company has pledged the following assets as collateral:

Item	Carrying Amount 2018.12.31	Carrying Amount 2017.12.31	Content of the secured liabilities
Financial asset measured after amortization - current	$24,000	Note	Credit card guarantee
Financial asset measured after amortization - non-current	3,000	Note	Purchase contract guarantee
Debt instrument investments without active market - current	Note	$24,000	Credit card guarantee
Debt instrument investments in without active market - non-current	Note	3,000	Purchase contract guarantee
Total	$27,000	$27,000	

Note: The Company has adopted IFRS 9 as of January 1, 2018, and selected not to recompile comparison period pursuant to transitional treatment of IFRS 9.

IX. Significant contingent liabilities and unrecognized contract commitments

N/A.

X. Contingent disaster loss

N/A.

XI. Significant post-reporting period matters

On January 2, 2019, the Board of Directors has approved of a market-based strategic partnership with Maywufa Co., Ltd. and to acquire right of trademark from the Pro Healthcare Franchise. As of February 1, 2019, the Company will receive premium and management revenue from Pro Healthcare Franchise, a business of Maywufa Co., Ltd.

XII. Others

1. Categories of financial instruments

Financial assets

	2018.12.31	2017.12.31
Financial assets measured at amortized cost (Note 2)	$1,164,797	(Note 1)
Loans and receivables (Note 3)	(Note 1)	$746,430
Total	$1,164,797	$746,430

Financial liabilities

	2018.12.31	2017.12.31
Financial liabilities at amortized cost:		
Short-term loan	$-	$70,000
Accounts payable	880,657	638,961
Bonds payable (including those maturing within 12 months)	286,569	-
Subtotal	1,167,226	708,961
Financial liabilities at fair value through profit or loss:		
Specified financial liabilities at fair value through profit or loss	3,690	-
Total	$1,170,916	$708,961

Note:

1. The Company has adopted IFRS 9 since January 1, 2018, and pursuant to the transitional treatment in IFRS 9, the Company has chosen not to recompile the comparison period.
2. Includes cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, and other receivables.
3. Includes cash and cash equivalents, notes receivable, accounts receivable, debt instrument investments without active market, and other receivables.

2. Objective and policy of financial risk management

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

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

3. Market risk

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

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

Exchange rate risk

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

Interest rate risk

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

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 1%, the Company's 2018 and 2017 income will increase by NT$5,002,000 and decrease by NT$2,619,000,

respectively.

Equity price risk

As of December 31, 2018 and December 31, 2017, the Company does not hold equity securities measured by fair value. Therefore, equity price risk does not exist.

4. Credit risk management

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

Each business unit manages customers' credit risk in compliance with the Company's customer risk management policy, procedures, and control. The credit risk valuation of all customers comprehensively measures factors including customers' financial status, credit rating, past transaction experiences, current economic environment, and the Company's internal valuations. The Company also adopts certain credit enhancement tools (e.g. prepaid sales and insurance) on a timely basis to reduce the credit risk from certain customers.

As of December 31, 2018 and December 31, 2017, the Company has not had concentration of credit risk on individual customers, hence credit risk should be moderate.

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

The Company has adopted IFRS 9 in the valuation of expected credit loss as of January 1, 2018. Receivables are measured as allowances for lifetime expected credit losses. As for the rest of the debt instrument investments that are not measured at fair value through profit and loss, the initial acquisition price is based on those with low credit risk, and are valuated on each balance sheet date to determine whether there has been significant increase in credit risk since initial recognition to determine the method of allowance for loss and its rate of loss.

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

5. Liquidity risk management

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

	Less than 1 year	2 to 3 years	4 to 5 years	5 years or above	Total
2018.12.31					
Accounts payable	$880,657	$-	$-	$-	$880,657
Bonds payable	286,569	-	-	-	286,569
2017.12.31					
Short-term loan	$70,215	$-	$-	$-	$70,215
Accounts payable	638,961	-	-	-	638,961

6. Adjustments of liabilities from financing activities

Information on adjustments of liabilities in 2018:

	Short-term loan	Guarantee deposit	Issuance of bond	Total liabilities from financing activities
2018.01.01	$70,000	$3,767	$-	$73,767
Cash flow	(70,000)	5,962	295,000	230,962
Non-cash flow	-	-	(8,431)	(8,431)
2018.12.31	$-	$9,729	$286,569	$296,298

Information on adjustments of liabilities in 2017:

Not applicable

7. Fair value of financial instruments

(1) Valuation technique and assumptions used in measuring fair value

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

A. The carrying amount of the cash and cash equivalents, account receivables, account payables and other current liabilities is a reasonable approximation of the fair value, mainly because the period of maturity of such instruments is short.

B. The fair value of financial assets and financial liabilities that are traded in active market and have standard terms and conditions are determined by reference to market quotations (e.g., listed and traded stocks and bonds).

C. For equity instruments without active market (e.g., private placement of shares in listed cabinets, shares of publicly issued companies without active markets, and shares of undisclosed companies), fair value is estimated at market value, which is the price generated by market transactions of the same or comparable equity instruments and other relevant information (e.g. lack of liquidity discount factor, similar price-to-earnings (P/E) ratio, similar price per book value or more).

D. For debt instrument investments without active market, bank borrowings, bonds payable and other non-current liabilities without quotation from active market, the fair value is determined by the counterparty quotation or valuation technique, and the valuation technique is determined based on the cash flow discount analysis. Assumptions such as interest rate and discount rate are mainly based on information related to similar instruments (e.g. information such as yield curve at the Taipei Exchange, average quotation of Reuters commercial paper rate, and credit risk and more).

(2) Fair value of financial instruments measured at amortized cost

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

	Carrying amount	
	2018.12.31	2017.12.31
Financial liabilities:		
Bonds payable	$286,569	$-

	Fair value	
	2018.12.31	2017.12.31
Financial liabilities:		
Bonds payable	$290,580	$-

(3) Fair value ranked information of financial instruments

Please see Note 12-8 for fair value ranked information of financial instruments.

8. Derivatives

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

Embedded derivatives

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

9. 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 Company does not have assets measured by non-repetitive fair value. Information on the ranks of repetitive fair value of assets and liabilities is as follows:

	Rank 1	Rank 2	Rank 3	Total
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Embedded derivatives	$-	$-	$3,690	$3,690

As of December 31, 2017: no such conditions exist.

Transfer between rank 1 and rank 2 of fair value ranks

From January 1, 2018 to December 31, 2018 and January 1, 2017 to December 31, 2017, the Company's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value ranks 1 and 2.

Details on changes in repetitive fair value rank 3

For those of the Company's liabilities measured at repetitive fair value that are categorized as rank 3, adjustments from beginning to ending balance is as follows:

	Liabilities
	Financial instruments measured at fair value through profit or loss
2018.1.1	$-
Current issuance	1,440
Total loss recognized in this period: recognized in profit or loss (stated in "Other gains and losses")	2,250
2018.12.31	$3,690

Among the aforementioned total losses recognized, losses related to liabilities held as of December 31, 2018 amounted to NT$2,250,000.

Information on material unobservable input in fair value rank 3

For the Company's liabilities measured at repetitive fair value and categorized in fair value rank 3, the material unobservable input used toward fair value measurement is as follows:

As of December 31, 2018

	Valuation technique	Material unobservable input	Quantitative information	Relations between input value and fair value	Valuation relations of sensitivity analysis of relations between input value and fair value
Financial liabilities:					
Measured at fair value through profit or loss					
Embedded derivatives	CRR Binary Tree Convertible Valuation Model	Fluctuation rate	20.55%	The higher the fluctuation rate, the higher the estimate of fair value	When fluctuation rate increases (decreases) by 1%, the Company's net income will increase/decrease by NT$150,000.

As of December 31, 2017: no such conditions exist.

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

As of December 31, 2018

	Rank 1	Rank 2	Rank 3	Total
Liabilities in which only fair value is disclosed:				
Bonds payable (see Note 6.14 for details)	$-	$-	$290,580	$290,580

As of December 31, 2017: no such conditions exist.

10. Information on financial assets and financial liabilities in foreign currency with material effect: Not applicable.

11. Capital management

The most important objective of the Company's capital management is to ensure that a healthy credit rating and positive capital ratio can be preserved to support the maximization of business management and shareholders' rights. The Company management 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.

XIII. Notes on disclosures

(I) Information on significant transactions:

1. The Company's capital financing for others: None.

2. The Company's endorsement/guarantee for others: None.

3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and joint ventures): None.

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 Attachment 1.

8. Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: Please see Attachment 2.

9. Derivatives transactions: None.

(II) Information on reinvestments:

1. Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China): Please see Attachment 3.

2. When the Company has control over the investee, the Company shall disclose the investee (Note 13). (1) Relevant information:

(1) Capital financing for others: None.

(2) Endorsement/guarantee for others: None.

(3) Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and joint ventures): None.

(4) 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 Attachment 4.

(8) Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: None.

(9) Derivatives transactions: None.

(III) Information on investments in Mainland China: None.

XIV. Departmental Information

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

Great Tree Pharmacy Co., Ltd.

Attachment 1

Purchases from and sales to related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Sales/purchase company	Name of counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Note
			rchases (sale	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	Sales	$1,585,033	32.25%	Offset of debts and claims	No other customers for comparison	Non-affiliate	Accounts receivable	37.42%	
								with 60~120 days of credit	$189,642		
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	Subsidiary	Purchases	$185,185	4.73%	Credit 30 days	No other suppliers for comparison	Non-affiliate	Accounts payable	4.61%	
								with 60~90 days of credit	$19,354		
									Notes payable	3.25%	
									$11,619		

Great Tree Pharmacy Co., Ltd.

Attachment 2

Receivables from related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital: Unit: Thousands of New Taiwan Dollar (NT$1,000)

Company with accounts receivable	Name of counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Amount for collection after balance sheet date for accounts receivable from related party	Loss allowance for bad debts
					Amount	Treatment		
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	Subsidiary	$189,642 (Note 1)	9.56	$-	.	$17,150	$-

Note 1: Refers to accounts receivable.

Great Tree Pharmacy Co., Ltd.

Attachment 3

Disclosure of investee information when the Company has material influence or control over the investee company (excluding investments in Mainland China)

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Name of investing company	Name of investee company			Initial investment amount		Ending balance			Gains or losses of investee company for this period	Investment gains or losses recognized for this period	
Name	Name	Location	Major businesses	Ending balance for this period	Year-end in previous year	Shareholding	Ratio (%)	Carrying amount			Note
Great Tree Pharmacy Co., Ltd.	Ivy Biotechnology Co., Ltd.	No. 145, Chengzhang 4th Street, Zhongli District, Taoyuan City	Wholesale and retail of food, groceries, sundries, cleaning materials, various medicine, health care foods, maternity and baby products, and cosmetics	$40,612	$7,612	5,900,000 shares	100.00%	$85,176	$17,576	$16,529 (Note 1)	
Great Tree Pharmacy Co., Ltd.	Bai-Lin Logistics Co., Ltd.	No. 1, Gaobian Road, Neiding Li, Zhongli District, Taoyuan City	Wholesale and retail, sorting and packaging, and warehousing of food and groceries, beverages, sundries, cleaning materials, and cosmetics	$2,000	$2,000	200,000 shares	100.00%	$1,971	$(391)	$(391)	
Ivy Biotechnology Co., Ltd.	Da-Yu Property Management	No. 143, Chengzhang 4th Street, Zhongli District, Taoyuan City	Management and consultancy; development, rental, and sales of residential and building complexes; development of designated areas; real estate purchase and sales; real estate rental; development, rental, and sales of factory buildings	$36,000	$3,000	360,000 shares	60.00%	$35,876	$(57)	$(34)	

Note 1: Includes income from investment recognized using equity method for this period of NT$17,576,000, realized profit from upstream transactions in previous period of NT$3,790,000, and unrealized profit from upstream transactions for this period of NT$4,837,000.

Great Tree Pharmacy Co., Ltd.

Attachment 4

Purchases from and sales to related parties amounting to at least NT$ 100 million or exceeding 20% of paid-in capital

Unit: Thousands of New Taiwan Dollar (NT$1,000)

Sales/purchase company	Counterparty	Relations	Transaction conditions				Terms that are different from the average transactions		Notes and accounts receivable (payable)		Note
			Purchases (sales)	Amount	The ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts and bills receivable (payable)	
Ivy Biotechnology Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Sales	$185,185	88.19%	30 days credit	No material difference from average customers	Non-affiliate with 30~60 days of credit	Accounts receivable $19,354 Notes receivable $11,619	51.28% 95.80%	
Bai-Lin Logistics Co., Ltd.	Great Tree Pharmacy Co., Ltd.	Parent company	Purchases	$1,585,033	100.00%	Offset of debts and claims	No other suppliers for comparison	No other suppliers for comparison	Accounts payable $189,642	100.00%	

VI. Financial turnover difficulties occurred to the company and its affiliates in the most recent year and up to the date of publication of this Annual Report: None.

Chapter 7 Review, Analysis, and Risks of Financial Conditions and Performance

I. Financial Conditions

Comparative analysis of financial conditions

Unit: thousand NTD

Item \ Year	2018	2017	Difference	
			Amount	Percentage of change (%)
Current assets	1,836,087	1,194,396	641,691	53.73
Property, plant and equipment	385,621	281,558	104,063	36.96
Intangible assets	3,061	2,997	64	2.14
Other assets	81,019	58,164	22,855	39.29
Total assets	2,305,788	1,537,115	768,673	50.01
Current liabilities	926,252	723,089	203,163	28.10
Non-current liabilities	303,883	7,373	296,510	4,021.57
Total liabilities	1,230,135	730,462	499,673	68.41
Capital	365,516	305,015	60,501	19.84
Capital surplus	435,799	269,539	166,260	61.68
Retained earnings	250,421	230,159	20,262	8.80
Non-controlling interests	23,917	1,940	21,977	1,132.84
Total equity	1,075,653	806,653	269,000	33.35

1. Reasons for items with material changes:
   Explanation of changes that reach 20% or more in the most recent 2 years and the change reaches NT$10 million:
   (1) Increase in property, plant, or equipment is mostly attributable to the opening of franchise stores in 2018, leading to increases in leasehold improvement.
   (2) Increase in other assets is mostly attributable to the increase of franchise stores in leased stores, leading to increase in prepayments for equipment and refundable deposits.
   (3) Increase in total assets is mostly attributable to increases in cash and cash equivalents, inventory, and property, plant and equipment.
   (4) Increase in current liabilities is mostly attributable to the bank financing in the current period and the increase in accounts payable.
   (5) Increase in Non-current liabilities is issuance of corporate bonds.
   (6) Increase in total liabilities is mostly attributable to increase in current liabilities.
   (7) Increase in Capital surplus is issuance of common stock.
   (8) Increase in retained earnings is mostly attributable to continued profitability in this period.
   (9) Increase in Non-controlling interests is Da Yu capital increase.
2. Impacts and future response measures: aforementioned changes do not pose material unfavorable impacts on the Company; moreover, the Company's overall performance does not contain material abnormalities and hence do not need to propose response measures.

Note: The aforementioned financial information is consolidated information that has adopted IFRS reporting standards.

II. Financial Performance

(I) Financial performance comparison/analysis table

Unit: thousand NTD

Item \ Year	2018	2017	Increases (decreases)	Ratio of change (%)
Net operating revenue	4,900,729	3,623,734	1,276,995	35.24
Operating costs	3,694,983	2,703,732	991,251	36.66
Net operating margin	1,205,746	920,002	285,744	31.06
Operating expenses	1,081,214	811,715	269,499	24.93
Operating profit	124,532	108,287	16,245	15.00
Non-operating income and expenses	10,328	15,556	(5,228)	(33.60)
Income tax expenses	28,881	21,485	7,396	34.42
Net income	105,979	102,358	3,621	3.54
Other comprehensive income - net	(337)	(250)	(87)	34.80
Total comprehensive income for the period	105,642	102,108	3,534	3.46

Explanation of changes that reach 20% or more in the most recent 2 years and the change reaches NT$10 million:

(1) Increase in net operating revenue: mostly attributable to the opening of 27 stores in 2018 the benefits from opening stores are gradually seen, and revenues from existing stores are showing steady growth.

(2) Increase in operating costs: mostly attributable to increase in operating revenue and has increased accordingly.

(3) Increase in operating margin: mostly attributable to increase in operating revenue and has increased accordingly.

(4) Increase in operating expense: mostly attributable to increase in operating revenue, leading to increases in salary expense, rent, and water, electricity, and gas fees.

Note: The aforementioned financial information is consolidated information that has adopted IFRS reporting standards.

(II) Estimated sales figures and references

Please see Letter to Shareholders on Pages 1~2.

(III) Possible influences and response measures to future financing and business

The Company is in the retail/wholesale channel for pharmacy management. Since we operate a variety of products, we also face competition from other pharmacies and drugstores. Under an increasingly competitive environment in the future, the Company will provide professional and well-rounded educational training for our employees to establish a professional brand value for "Great Tree Pharmacy Co., Ltd." In addition, we will develop service processes with high entry barriers through our innovative senior core management team, and to differentiate ourselves from industry competitors by rapidly reproducing our successful experiences of business development.

III. Cash Flow Analysis

(I) Explanation of changes in cash flow in the most recent year and improvement plan for any lack of liquidity

Unit: thousand NTD

Cash and cash equivalents at beginning of year	Net cash flow from operating activities throughout the year	Net cash inflow (outflow) from investing and financing activities throughout the year	Ending cash balance (Deficit)	Remedial measures for cash deficiency	
				Investment plans	Financial plan
274,672	131,331	227,658	633,661	—	—

1. Analysis of changes in cash flow during the year
   (1) Operating activities: mostly attributable to significant increase of sales business in 2018, boosting overall profitability and increasing net cash inflow from operating activities.
   (2) Investing activities: mostly attributable to set up of new franchise pharmacies, leading to increase expenditure related to leasehold improvements.
   (3) Financing activities: mostly attributable to cash capital increase and issuance of corporate bonds in 2018.
2. Remedial measures for cash deficiency and liquidity analysis: not applicable.

(II) Cash liquidity analysis for the following year

Unit: thousand NTD

Cash and cash equivalents at beginning of year (Note)	Projected net cash flow from operating activities for the year	Projected cash outflow for the year	Expected cash balance (Deficit)	Expected remedial measures for cash deficiency	
				Investment plans	Financial plan
633,661	107,600	(247,517)	493,744	—	Capital increase and issuance of corporate bonds

1. Analysis of next year's cash flow changes:
   Operating activities: net cash outflow will be approximately NT$107,600 thousand, mostly attributable to the Company's continued setup of new franchise pharmacies, boosting overall profitability and increasing net cash inflow from operating activities
   Investing activities: net cash outflow from investing activities for the year will be approximately NT$200,000 thousand, mostly attributable to set up of new franchise pharmacies, leading to increase expenditure related to leasehold improvements.
   Financing activities: net cash outflow from financing activities for the year will be approximately NT$47,517 thousand, mostly attributable to payment of dividends.
2. Remedial measures for projected cash deficit and liquidity analysis: not applicable.

Note: cash and cash equivalents at beginning of the year comes from the Consolidated Financial Statements in 2018 which have been audited by CPA.

IV. Impact of Major Capital Expenditures on Corporate Finance and Business for the Most Recent Year: None.

V. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year

1. Reinvestment policy for the most recent fiscal year:
The Company has established "Procedures for Acquisition and Disposal of Assets" pursuant to the competent authority's rules, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" as the reference for the Company's long-term investment. When investment is needed to pursue for operational growth, the investment unit will collect and coordinate information including future outlook, market status and evaluate accordingly. In addition, the Company has also established "Subsidiary Supervision and Management Procedures" and "Transaction Procedures for Related Parties, Specific Companies, and Group Enterprises" to enhance supervision and management over reinvestments. These procedures stipulate relevant standards on the information disclosure, finance, business, inventory, and financial management of reinvestments, and conduct audit procedures either periodically or from time to time.

2. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year:

As of December 31, 2018; Unit: thousand NTD

Reinvestment business	Shareholding ratio	Investment gain or loss recognized in 2018	Major operations	Main reasons for income or loss	Improvement plan	Investment plan for the next year
Ivy Biotechnology Co., Ltd.	100.00%	16,529	Develop health supplement products	Continue to invest in new product R&D	None	None
Bai-Lin Logistics Co., Ltd.	100.00%	(391)	Product packaging and warehousing	Normal operations	None	None
Da Yu Property Management Co., Ltd.	60.00%	(34)	Building development	Operation has not yet begun	None	None

VI. Risk Management Analysis and Evaluation in the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report:

(I) Risk management policy and organizational structure
Organizational structure of the Company's risk management:

1. Risk management implementation: carried out by managers of each department and the Audit Office.
2. Unit responsible for risk management: the Board of Directors.
3. Risk management policy:
   (1) In case matters related to risk management occur, they should be immediately reported to an immediate Supervisor, Audit Office, General Manager, Chairman, and the Board of Directors or Supervisors.

(2) The General Manager's Office is in charge of pre-assessment of the risks associated with strategic operations, and to follow-up on operational performance after the event, so that the Company's strategies can be aligned with our vision and achieve our operating objective.

(3) The Company has established "Internal control system" and "Implementation Details of Internal Control" and "Self-evaluation Procedures for Internal Control System," and carry out risk control in practice through each procedure. Moreover, managers of each department rigorously monitor relevant risks and the Audit Office continuously controls and verifies the aforementioned risk items through risk evaluation. In case material violation is found or if the Company may incur material losses, a report will be immediately prepared for review and each Supervisor be notified. In addition, a Board meeting may be called immediately.

(II) Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures:

Item	2017		2018	
	Amount	Ratio on operating revenue (%)	Amount	Ratio on operating revenue (%)
Interest revenue	1,009	0.03	1,431	0.03
Interest expense	217	0.01	3,414	0.07
Exchange gain or loss	(2,235)	0.06	418	0.01

(1) Impact of interest rates on the Company's profit and loss and future response measures

The Company and its subsidiaries have received interest revenues of NT$1,009,000 and NT$1,431,000 in 2017 respectively, accounting for 0.03% on the operating revenue for each. Interest expense accounted for 0.01% and 0.07% on each respectively. Interest expense and interest revenue in 2017 and 2018 accounted for relatively small percentage on the operating revenue; therefore, fluctuations in interest rate shall not pose material impacts on the Company's operations.

The Company's application of capital is conservative and prudent, and idle funds are mostly deposited into the demand deposit and fixed deposit in banks. These are products with relatively stable market interest rates, and in the future, the Company will continue to observe and respond to movements in interest rate accordingly, evaluate the capital stature and reduce any impacts from fluctuations in interest rates.

(2) Impact of exchange rates on the Company's profit and loss and future response measures

The Company and its subsidiaries' exchange gains (losses) in 2017 and 2018 were NT$(2,235,000) and NT$418,000 respectively, accounting for 0.06% and 0.01% on the operating revenue respectively. Exchange gains (losses) account

for relatively small percentage on the operating revenue, and since the Company operates chain pharmacies in Taiwan, purchases and sales are both denominated in New Taiwan Dollar (NTD), therefore, fluctuations in exchange rates do not pose material impacts on the Company.

(3) Impact of inflation on the Company's profit and loss and future response measures

According to consumer price index (CPI) in December 2018 announced by the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, the CPI was 101.50, showing a -0.06% YoY, and indicating that inflation is well-controlled within Taiwan and the CPI is relatively stable. Therefore, inflation of commodities is not an issue, and do not pose material impacts on the Company's profitability. Moreover, the Company pays attention to fluctuations in market prices at all times and maintains positive, interactive relations with suppliers. Therefore, material impacts on the profit or loss from inflation have not occurred.

(III) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken

(1) Policies on high risk, highly leveraged investments, main reasons for the profits or losses generated thereby, and future response measures to be undertaken

The Company is dedicated to management of its core business and does not make high risk, highly leveraged investments

(2) Policies on loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures to be undertaken.

In the most recent year and up to the date of publication of this Annual Report, the Company has not loaned funds to others, made endorsements or guarantees, or undertaken derivative trading. Based on considerations of operational risk, the Company has already reported to the Board of Directors and approved the motion not to loan funds to others or to make endorsements or guarantees. If the Company plans to loan funds to others, make endorsements or guarantees or to undertake derivative trading in the future, relevant procedures will be carried out in accordance with the Company's "Procedures for Loaning of Funds", "Procedures for Providing Endorsements/Guarantees", and "Procedures for Acquisition and Disposal of Assets."

(IV) Future R&D projects and R&D expenditure to be invested

The Company is a professional medical and health care products chain channel operator for maternity and baby products, NHI prescription drugs, health supplements and health care products and has not established a R&D department and does not incur relevant R&D fees. Nevertheless, should needs for R&D arise due to business development in the future, the Company will hold a prudent attitude in considering whether R&D will bring synergistic effects to the Company to ensure the

actual protection of shareholders' interests.

(V) Changes to local and overseas policies and laws that impact the company's financial operations and response measures

While carrying out each of the Company's business, the Company is in compliance with relevant domestic and overseas laws and monitors domestic and international policy developments and changes in legal environment at all times. We collect and provide relevant information to the management level to aid in their decision-making process to fully seize changes in the market environment. In the most recent year and as of the date of publication of this Annual Report, the Company's finances and business have not been impacted by changes in domestic and overseas policies and laws.

(VI) Technology and industry changes that impact the company's financial operations and response measures

The advancement of biotechnology enables health care and health products to be more accepted by the general public with more affordable prices. This is an important area for the Company's market development efforts. The Company is focused on continued introduction of information technology. Besides improving inventory turnover and effectively reducing operating costs, it can also enhance the management level's timely and effective decision-making and judgment and increase the Company's competitiveness.

(VII) Changes to corporate image that impact the Company's risk management and response measures

The Company has always been committed to maintaining a positive corporate image and sees needs of consumers as the primary considerations. The Company provides innovative services including free repair for electronic products and condition-less return of products within 10 days, fulfilling the Company's brand positioning of "a pharmacy you can trust" and frequently receives praises from customers, and also benefitting the Company's image. In the most recent year and up to the date of publication of this Annual Report, the Company's crisis management was not impacted by any changes to corporate image.

(VIII) Expected benefits and possible risks of mergers and response measures

The Company does not plan to merge with other companies. Should such plans arise in the future, the Company will maintain a prudent attitude in making relevant evaluations and fully consider the synergies from the merger to ensure protection of shareholders' interests.

(IX) Expected benefits and possible risks to expand the plans and response measures

The Company is a professional medical and health care products chain channel operator for maternity and baby products, NHI prescription drugs, health supplements and health care products and is focused on expanding franchise pharmacies and product sales. The Company does not have manufacturing and does

not plan to build plants. The Company plans to establish new franchise stores under a prudent attitude, fully considers whether new stores can bring synergies to the Company to ensure shareholders' interests and rights in practice.

(X) Risks resulting from consolidation of purchasing or sales operations and response measures

The Company is a professional medical and health care products chain channel operator for maternity and baby products, NHI prescription drugs, health supplements and health care products, and sources of product purchasing are dispersed throughout Taiwan and does not have consolidated purchasing. Moreover, most suppliers are well-known brands both in Taiwan and abroad and have all partnered with the Company for many years. Therefore, there are no risks resulting from purchasing concentration. Moreover, the Company sells to the general public and has no sales concentration.

(XI) Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10 percent of the Company's shares, and related response measures

Company Directors, Supervisors, or shareholders holding more than 10% of the Company shares did not have major equity transfer or replacement of shares in the most recent year and up to the date of publication of the Annual Report.

(XII) Impact, risk, and response measures related to any change in governance rights in the company

In the most recent year and up to the date of publication of the Annual Report, the Company did not have changes in governance rights.

(XIII) For litigious or non-litigious incidents, please specify the material litigations that have been ruled or are in the process, non-litigious or administrative disputes for the Company and its Directors, Supervisors, general manager, substantial person in charge, major shareholders holding 10% or more of shares and affiliates, and possible material impacts on the shareholders' rights or prices of securities: None.

(XIV) Other material risks and response measures: None.

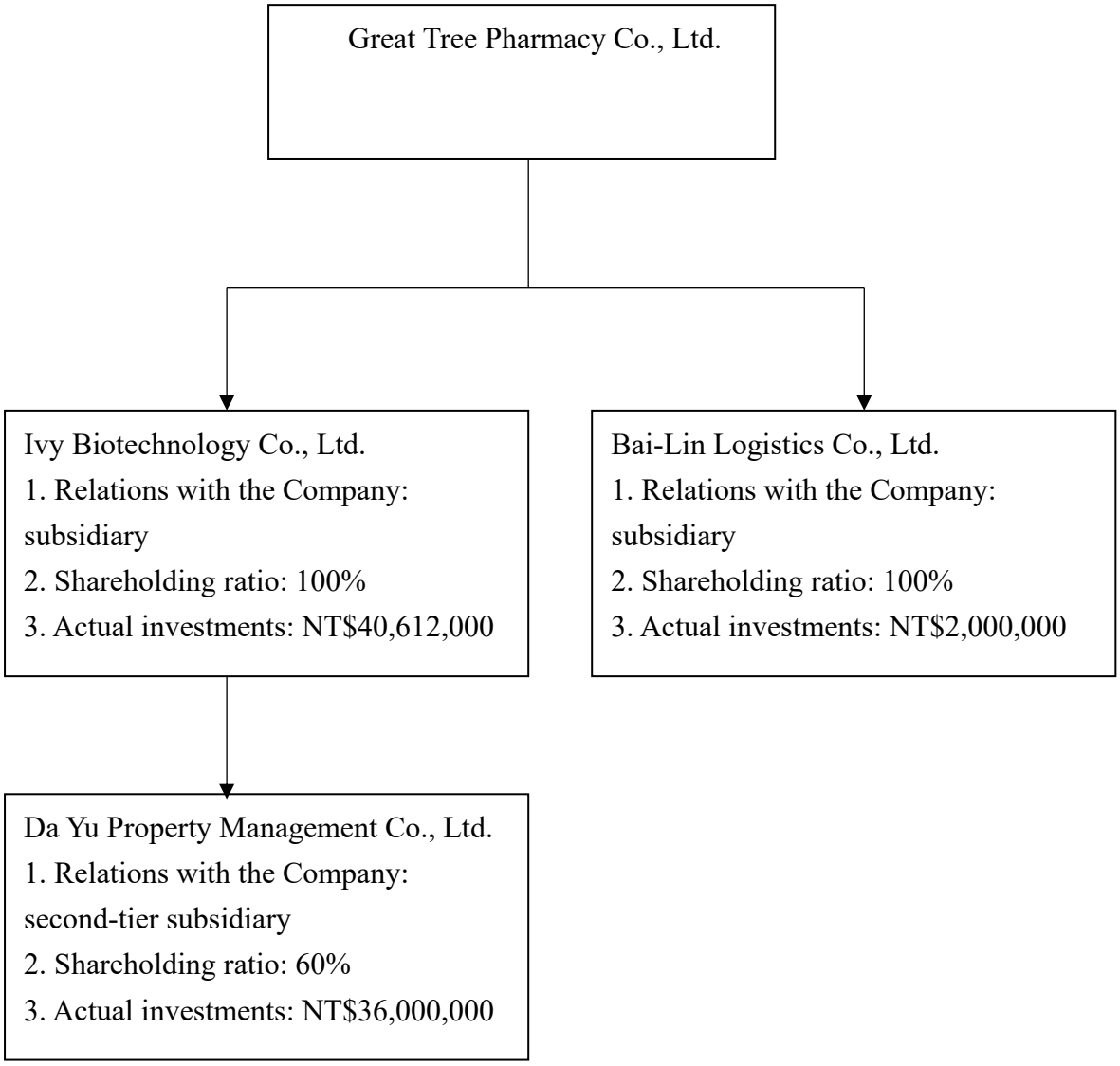
VII. Other Material Items: None.

Chapter 8 Special Notes

I. Information on Affiliates

(I) Affiliate overview

(1) Organizational structure of affiliates



(2) Basic information on each affiliate; Unit: thousand NTD

Name of business	Date of establishment	Address	Paid-in capital	Major business or production	Remark
Ivy Biotechnology Co., Ltd.	2007.6.27	No. 145, Chenggang 4th Street, Zhongli District, Taoyuan City.	$59,000	Wholesale and retail of various drugs and health foods	
Bai-Lin Logistics Co., Ltd.	2016.11.30	No. 1, Gambian Road, Needing Li, Zhongli District, Taoyuan City.	2,000	Wholesale and retail business, packaging and warehousing	
Da Yu Property Management Co., Ltd.	2017.04.28	No. 143, Chenggang 4th Street, Zhongli District, Taoyuan City.	60,000	Buy/sell transactions and lease of real property	

(3) Presumptive control and affiliation in accordance with Article 369-3 of the Company Act: None.

(4) Businesses covered by operations of the affiliates: Please see "Basic information on each affiliate" for details.

(5) Information on Directors, Supervisors, and general managers of affiliates:

Name of business	Title	Name	Representative	Number of shares held	Shareholding ratio (%)	Remark
Ivy Biotechnology Co., Ltd.	Director Director Director Supervisor	Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd.	Liu Yu Teng Cheng Ming Lung Liu Mei Yun Lu Shan Feng	59,000,000	100.00	
Bai-Lin Logistics Co., Ltd.	Director Director Director Supervisor	Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd. Great Tree Pharmacy Co., Ltd.	Liu Yu Teng Cheng Ming Lung Hsu Hao Liu Mei Yun	200,000	100.00	
Da Yu Property Management Co., Ltd.	Director Director Director Supervisor	Ivy Biotechnology Co., Ltd. Ivy Biotechnology Co., Ltd. Yu-Yang Investments Limited Wu Shu Yi	Cheng Ming Lung Sung Chao Feng Wu Cheng Yu	360,000	60.00	

(6) Operation overview of each affiliate; Unit: thousand NTD

Code of each affiliate	Name of business	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income or loss	Current profit and loss (after tax)	EPS or loss per share (after tax)
64690001	Ivy Biotechnology Co., Ltd.	59,000	150,102	60,089	90,013	209,985	12,471	17,576	2.98
64690002	Bai-Lin Logistics Co., Ltd.	2,000	191,633	189,692	1,971	1,546,869	(993)	(391)	(1.96)
64690003	Da Yu Property Management Co., Ltd.	60,000	59,858	65	59,793	0	(60)	(57)	(0.01)

Note: The aforementioned financial information is filled from Individual Statements that have adopted IFRS.

(II) Consolidated financial statements of affiliates: Please see Pages 105~198 for details.

(III) Affiliate Report: Not applicable.

II. In the most recent year and up to the date of publication of the Annual Report, the processing of private offering of marketable securities and utilization of funds from private offering of securities and relevant implementation status: None.

III. Holding or Disposal of the Company's Shares by the Subsidiaries in the Most Recent Year

Up to the Date of Publication of This Annual Report

IV. Other Necessary Supplements:

The Company has promised to add "in case the Company directly or indirectly forfeits capital increase to Ivy Biotech over the years in the future, or directly or indirectly disposes of its shares held in Ivy Biotech, leading the Company to lose substantial control over Ivy Biotech, a special resolution needs to be approved by the Company's Board of Directors in a meeting attended by all Independent Directors who should have expressed opinions" in the "Procedures for Acquisition and Disposal of Assets." The content of the aforementioned resolution and subsequent amendment of the Regulations shall be uploaded to the MOPS as material information to be disclosed and submitted to the Taipei Exchange in writing.

The Company has also issued a statement and amended its "Procedures for Acquisition and Disposal of Assets" on June 29, 2016 upon approval from the Shareholders' Meeting. The Company's Board meeting on December 21, 2018 has approved of the participation in cash capital increase from Ivy Biotech, and expects to issue 3,300,000 new shares with the par value of NT$10 and expects to raise NT$33 million. Registration of Ivy Biotech has been approved by the Taoyuan City Government on January 19, 2019, and paid-in capital after the current issuance will be NT$59 million. The subsidiary will continue to be 100% owned by the Company with the same shareholding status. As of the date of publication of the Annual Report, the promise has not been violated.

V. Events of considerable impact on shareholders' equity or on prices of securities as specified in Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act: None.

Great Tree Pharmacy Co., Ltd.

Chairman： Liu Yu Teng