

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

Ticker: 1707

**GRAPE KING BIO LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Independent Auditor’s Report

To Grape King Bio Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Grape King Bio 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, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), 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 for 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.

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Revenue Recognition

We have determined that revenue recognition is one of the key audit matters due to the following considerations. First of all, the revenue amounting to NT\$1,821,840 thousand for the year ended December 31, 2018 is a significant account to the Company's financial statements. Secondly, the Company's revenue sources include a variety of business models, including sale through distributors, subcontracting services, etc. The judgements needed for identifying performance obligations embedded in customer's orders or contracts and for determining the timing of satisfaction, the shelf fee arrangement for part of distributors' contracts increase the complexity of the Company's revenue recognition. As a result, our audit procedures include, but are not limited to, evaluating the properness of performance obligations and revenue recognition accounting policies (mainly including assessing the sufficiency of management's accruals made for shelf fee arrangement involving considerations to be paid to customers) for distributors' sales, testing effectiveness of relevant internal controls established by the management, performing test of details sampled from the sale subledger, performing sale cutoff test, and subsequently reviewing and searching for significant sale allowances and returns, etc. We also consider the appropriateness of the disclosure of operating revenues in Note 6 to the parent company only financial statements.

Inventory valuation

The net carrying value of inventory as of December 31, 2018 for Grape King Bio Ltd. amounted to NT\$320,562 thousand, which were significant to the parent company only financial statements. We have determined that valuation on inventory is one of the key audit matters in considering that the maturity of the Company's main products, including health foods and beverages, may be short and the policy for provision against inventory normally involves the management's significant judgment. Our audit procedures therefore mainly include, but are not limited to, assessing the appropriateness of policy for inventory provision including those for identifying slow-moving inventory and analysis on inventory movement, testing the management's execution and compliance with the control policy for identifying products maturity including test on correctness of calculating the duration, analyzing the reasonableness of expiring inventory movement, examining the compliance of computing net realizable value of inventory based on different product maturity, and performing the observation procedure on the Company's inventory physical taking, etc. We also considered the appropriateness of the disclosure of inventories in Note 5 and 6 to the parent company only financial statements.

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Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of Pro-partner Inc., an investment accounted for using equity method by the Company. The financial statements of Pro-partner Inc. as of December 31, 2018 and 2017, and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment accounted for using equity method amounting to NT\$1,784,621 thousand and NT\$1,681,309 thousand as of December 31, 2018 and 2017 representing 24.87% and 26.45% of the Company's total assets, the related shares of profit or loss from the subsidiaries under equity method for the years then ended amounting to NT\$893,337 thousand and NT\$874,386 thousand representing 64.78% and 60.97% of the Company's income before tax, and the related shares of other comprehensive income from the subsidiaries under equity method for the years then ended amounting to NT\$(57) thousand and NT\$(181) thousand representing 0.25% and 1.43% of the other comprehensive income, are based solely on the audit reports of other auditors.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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.

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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.

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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.

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Hong, Mao-Yi



Lo, Hsiao-Chin



ERNST & YOUNG

February 25th, 2019

Taipei, Taiwan,

Republic of China

Notices to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2018	2017	Liabilities and Stockholders' Equity	Notes	2018	2017
Current assets				Current liabilities			
Cash and cash equivalents	4,6(1)	\$270,624	\$316,143	Short-term debt	4,6(15),8	\$800,000	\$300,000
Financial assets at fair value through profit or loss, current	4,6(2)(18)	-	69	Contract liabilities	3,6(23)	2,973	-
Financial assets measured at amortized cost	3,4,6(5)	8,970	-	Notes payable		-	11
Notes receivable, net	4,6(7)	542	1,313	Accounts payable		127,192	104,193
Accounts receivable, net	4,6(8)	28,698	31,141	Other payables	6(16)	364,702	427,100
Accounts receivable-related parties, net	4,6(8),7	233,334	180,184	Other payables-related parties	7	72	-
Other receivables	4	1,202	3,640	Current tax liabilities	4,5,6(27)	57,597	54,527
Other receivables-related parties	4,7	69,846	65,857	Other current liabilities	6(17)	11,682	18,844
Inventories, net	4,5,6(9)	320,562	321,845	Current portion of bonds payable	4,6(18)	-	171,207
Prepayments	6(11)	31,685	14,897	Total current liabilities		<u>1,364,218</u>	<u>1,075,882</u>
Other current assets	6(11)	3,892	4,838	Non-current liabilities			
Total current assets		<u>969,355</u>	<u>939,927</u>	Deferred tax liabilities	4,5,6(27)	68,628	68,463
				Other liabilities	6(19)(21)	11,726	16,518
Non-current assets				Total non-current liabilities		<u>80,354</u>	<u>84,981</u>
Financial assets at fair value through other comprehensive income	3,4,5,6(3)	10,892	-	Total liabilities		<u>1,444,572</u>	<u>1,160,863</u>
Financial assets measured at amortized cost	3,4,6(5),8	9,600	-	Equity attributable to the parent company			
Financial assets measured at cost	3,4,6(4)	-	28,028	Capital	6(22)		
Debt investments without active market	3,4,6(6),8	-	2,600	Common stock		1,362,864	1,352,211
Investments accounted for using equity method	4,6(10)	2,668,412	2,342,067	Additional paid-in capital	6(18)(22)	965,244	800,246
Property, plant and equipment	4,6(12),8	3,088,696	2,565,903	Retained earnings	6(22)		
Investment properties	4,6(13)	235,088	235,355	Legal reserve		810,407	675,213
Intangible assets	4,6(14)	16,362	21,885	Special reserve		74,671	74,671
Deferred tax assets	4,5,6(27)	1,334	811	Unappropriated earnings		2,676,265	2,418,570
Other assets-others	6(11)(21)	175,128	219,533	Other components of equity		(68,094)	(34,603)
Total non-current assets		<u>6,205,512</u>	<u>5,416,182</u>	Treasury stock		(91,062)	(91,062)
				Total equity	4,6(22)	<u>5,730,295</u>	<u>5,195,246</u>
Total assets		<u>\$7,174,867</u>	<u>\$6,356,109</u>	Total liabilities and equity		<u>\$7,174,867</u>	<u>\$6,356,109</u>

The accompanying notes are an integral part of the parent company only financial statements.

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GRAPE KING BIO LTD.

PARENT COMPANY ONLY STATEMENTS 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)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Operating revenues	3,4,6(23),7	\$1,821,840	\$1,770,158
Operating costs	7	<u>(887,878)</u>	<u>(889,927)</u>
Gross profit before unrealized inter-company profit		933,962	880,231
Unrealized inter-company profit		<u>(5,078)</u>	<u>(4,505)</u>
Gross profit		<u>928,884</u>	<u>875,726</u>
Operating expenses	7		
Sales and marketing		(315,038)	(224,058)
General and administrative		(253,348)	(220,436)
Research and development		<u>(166,690)</u>	<u>(159,187)</u>
Operating expenses total		<u>(735,076)</u>	<u>(603,681)</u>
Operating income		<u>193,808</u>	<u>272,045</u>
Non-operating income and expenses			
Other income	6(25),7	89,729	165,848
Other gain and losses	6(25)	(9,355)	(1,194)
Finance costs	6(25)	(6,400)	(5,057)
Share of profit or loss of subsidiaries		<u>1,111,222</u>	<u>1,002,395</u>
Non-operating income and expenses total		<u>1,185,196</u>	<u>1,161,992</u>
Income from continuing operations before income tax		1,379,004	1,434,037
Income tax expense	4,6(27)	<u>(83,610)</u>	<u>(82,096)</u>
Net income		<u>1,295,394</u>	<u>1,351,941</u>
Other comprehensive income (loss)	6(26)		
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) from defined benefit plans		935	(4,867)
Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)		(7,495)	-
Actuarial gain (loss) from defined benefit of subsidiaries		(72)	(240)
Income tax related to items that may not be reclassified subsequently		(169)	887
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(16,355)	(8,399)
Income tax related to items that may be reclassified subsequently		-	-
Total other comprehensive income(loss), net of tax		<u>(23,156)</u>	<u>(12,619)</u>
Total comprehensive income		<u>\$1,272,238</u>	<u>\$1,339,322</u>
Earnings per share-basic (In NTD)	6(28)	<u>\$9.57</u>	<u>\$10.03</u>
Earnings per share-diluted (In NTD)	6(28)	<u>\$9.50</u>	<u>\$9.93</u>

The accompanying notes are an integral part of the parent company only financial statements.

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GRAPE KING BIO 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 Dollar)

	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Components of equity		Treasury stock	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income		
Balance as of January 1, 2017	\$1,352,142	\$799,221	\$545,536	\$74,671	\$2,062,646	\$(26,204)	\$-	\$-	\$4,808,012
Appropriations of prior year's earnings									
Legal reserve			129,677		(129,677)				-
Cash dividends					(862,120)				(862,120)
Shares from bonds converted	69	1,025							1,094
Net income, 2017					1,351,941				1,351,941
Other comprehensive income, 2017					(4,220)	(8,399)			(12,619)
Total comprehensive income					1,347,721	(8,399)			1,339,322
Treasury stock								(91,062)	(91,062)
Balance as of December 31, 2017	\$1,352,211	\$800,246	\$675,213	\$74,671	\$2,418,570	\$(34,603)	\$-	\$(91,062)	\$5,195,246
Balance as of January 1, 2018	\$1,352,211	\$800,246	\$675,213	\$74,671	\$2,418,570	\$(34,603)	\$-	\$(91,062)	\$5,195,246
Impact of retroactive applications							(9,641)		(9,641)
Adjusted balance as of January 1, 2018	1,352,211	800,246	675,213	74,671	2,418,570	(34,603)	(9,641)	(91,062)	5,185,605
Appropriations of prior year's earnings									
Legal reserve			135,194		(135,194)				-
Cash dividends					(903,199)				(903,199)
Shares from bonds converted	10,653	158,547							169,200
Other		6,451							6,451
Net income, 2018					1,295,394				1,295,394
Other comprehensive income, 2018					694	(16,355)	(7,495)		(23,156)
Total comprehensive income					1,296,088	(16,355)	(7,495)		1,272,238
Balance as of December 31, 2018	\$1,362,864	\$965,244	\$810,407	\$74,671	\$2,676,265	\$(50,958)	\$(17,136)	\$(91,062)	\$5,730,295

The accompanying notes are an integral part of the parent company only financial statements.

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GRAPE KING BIO 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)

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,379,004	\$1,434,037	Disposal of financial assets measured at amortized cost	(15,970)	-
Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities:			Investments accounted for using equity method	(23,200)	-
Depreciation	168,292	159,584	Acquisition of property, plant and equipment	(733,777)	(692,547)
Amortization	6,640	6,296	Disposal of property, plant and equipment	72	-
Expected credit loss(gain) through profit or loss	87	-	Decrease (increase) in refundable deposits	608	(1,183)
Net gain of financial assets at fair value	(364)	(387)	Acquisition of intangible assets	(1,117)	(1,903)
Interest expense	6,400	5,057	Other financial assets	15,000	-
Interest income	(453)	(481)	Cash dividends received	786,589	637,324
Dividend income	(2)	(2)	Net cash provided by (used in) investing activities	<u>28,205</u>	<u>(58,309)</u>
Share of profit or loss of subsidiaries	(1,111,222)	(1,002,395)	Cash flows from financing activities:		
Loss from disposal of property, plant and equipment	495	851	Increase (decrease) in short-term loans	500,000	250,000
Urealized inter-company profit	5,078	4,505	Repayment of bonds payable	(3,325)	-
Changes in operating assets and liabilities:			(Decrease) increase deposits received	(2,007)	(186)
Financial asset held for trading	-	241,378	Cash dividends	(903,199)	(862,120)
Financial assets mandatorily measured at fair value through profit or loss	427	-	Cost of Treasury stock	-	(91,062)
Notes receivable	771	(1,048)	Other	6,451	-
Accounts receivable	2,356	14,140	Net cash provided by (used in) financing activities	<u>(402,080)</u>	<u>(703,368)</u>
Accounts receivable-related parties	(53,150)	25,649	Net (decrease) increase in cash and cash equivalents	(45,519)	(34,235)
Other receivables	2,438	(1,139)	Cash and cash equivalents at beginning of period	316,143	350,378
Other receivables-related parties	(3,989)	738	Cash and cash equivalents at end of period	<u>\$270,624</u>	<u>\$316,143</u>
Inventories	1,283	13,129			
Prepayments	(16,788)	(7,552)			
Other current assets	946	(1,460)			
Contract liabilities	1,680	-			
Notes payable	(11)	(130)			
Accounts payable	22,999	3,115			
Other payables	12,386	18,930			
Other payables-related parties	72	-			
Advance receipts	(1,293)	(2,482)			
Other current liabilities	(5,869)	(78,463)			
Accrued pension liabilities	(4,287)	(14,109)			
Cash generated from operations	<u>413,926</u>	<u>817,761</u>			
Interest received	453	481			
Interest paid	(4,941)	(1,510)			
Income tax paid	<u>(81,082)</u>	<u>(89,290)</u>			
Net cash provided by (used in) operating activities	<u>328,356</u>	<u>727,442</u>			

The accompanying notes are an integral part of the parent company only financial statements.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Grape King Bio Ltd. (The Company) was incorporated as a listed company limited by shares under the provisions of Company Act, the Securities and Exchange Act and other related regulations of the Republic of China (R.O.C.). In April 1971, the Company was officially registered as "Grape King Food Limited" and started its operation. In 1979, the Company merged with "China Fuso Seiko Pharmaceutical Industries Ltd." and was renamed as "Grape King Inc." In 1981, the Company further merged "Head Fancy Cosmetics Co. Ltd." The Company's stocks were listed and publicly traded on the Taiwan Stock Exchange (TWSE) starting December 1982. In the annual shareholders' meeting held on June 12, 2002, the Company resolved to change its name for "Grape King Bio Ltd". The Company is engaged in the production and sales of pharmaceutical preparation, patent medicine, liquid tonic, drink, healthy food, etc. The Company's registered office and main business location is at No.402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City 324, Taiwan, Republic of China.

2. Date and procedures of authorization of financial statements for issuance

The parent company only financial statements of the Company for the years ended 31 December 2018 and 2017 were authorized for issuance at February 25, 2019 by the Board of Directors.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(a) IFRS 15 "Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Company also elected to apply this standard

retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal activities consist of the sale of goods and processing services. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2018.

B. Sale of goods

Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition from sale of goods. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before 1 January 2018, the Company recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Company as at the date of initial application was NT\$1,293 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$2,973 thousand and the contract liabilities increased by NT\$2,973 thousand as of December 31, 2018.

C. The considerations paid to customers

The accounting treatment the considerations paid to customers under IAS 18 was to record it under the caption of operating expense while, in accordance with IFRS 15, the Company shall record it as a reduction against revenue. Though, there were no impacts on the assets, liabilities or equity as of the adoption date.

Besides, in comparison with the requirement of IAS 18, operating revenues under IFRS 15 for the year ended December 31, 2018 are decreased by NT\$18,337 thousand, respectively, selling and marketing expenses are decreased by NT\$18,337 thousand, respectively.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

In accordance with the transitional provisions of IFRS 15, the Company elects to recognize the cumulative effect of initially applying IFRS15 at the date of initial application (1 January 2018). If the Company had recorded the considerations paid to customers as a reduction against revenue in accordance with IFRS 15 for the year ended December 31, 2017, the impact on the income statement accounts then would have been as follows.

account	For the year ended December 31, 2018 (Adopting IFRS 15)		For the year ended December 31, 2017 (If adopting IFRS 15)		For the year ended December 31, 2017 (Adopting IAS 18)	
	Amount	%	Amount	%	Amount	%
Comprehensive Income:						
Operating revenues	\$1,821,840	100.00	\$1,755,312	100.00	\$1,770,158	100.00
Operating costs	(887,878)	(48.73)	(889,927)	(50.70)	(889,927)	(50.27)
Gross profit before unrealized inter-company profit	933,962	51.27	865,385	49.30	880,231	49.73
Unrealized inter-company profit	(5,078)	(0.28)	(4,505)	(0.26)	(4,505)	(0.26)
Gross profit	928,884	50.99	860,880	49.04	875,726	49.47
Operating expenses :						
Selling and marketing	(315,038)	(17.29)	(209,212)	(11.92)	(224,058)	(12.66)
General and administrative	(253,348)	(13.91)	(220,436)	(12.55)	(220,436)	(12.45)
Research and development	(166,690)	(9.15)	(159,187)	(9.07)	(159,187)	(8.99)
Operating expenses total	(735,076)	(40.35)	(588,835)	(33.54)	(603,681)	(34.10)
Operating income	193,808	10.64	272,045	15.50	272,045	15.37
Non-operating income and expenses	1,185,196	65.05	1,161,992	66.20	1,161,992	65.64
Income before income tax	1,379,004	75.69	1,434,037	81.70	1,434,037	81.01
Income tax expense	(83,610)	(4.59)	(82,096)	(4.68)	(82,096)	(4.64)
Net income	1,295,394	71.10	1,351,941	77.02	1,351,941	76.37
Total other comprehensive income, net of tax	(23,156)	(1.27)	(12,619)	(0.72)	(12,619)	(0.71)
Total comprehensive income	\$1,272,238	69.83	\$1,339,322	76.30	\$1,339,322	75.66
Earnings per share(NTD)						
Earnings per share-basic (In NT\$)	9.57		10.03		10.03	
Earnings per share-diluted (In NT\$)	9.50		9.93		9.93	

D. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

(b) IFRS 9“Financial Instruments”

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Company:

- A. The Company adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.
- B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	\$69	Fair value through profit or loss	\$69
Available-for-sale financial assets (including NT\$28,028 thousand measured at cost)	28,028	Equity instruments measured at fair value through other comprehensive income	18,387
At amortized cost	600,878	At amortized cost (including	600,878
Loans and receivables (including cash and cash equivalents, notes receivables, accounts receivables (related parties included), debt investments without active market and other receivables (related parties included))		cash and cash equivalents, notes receivables, accounts receivables (related parties included), financial assets measured at amortized cost and other receivables (related parties included))	
Total	<u>\$628,975</u>	Total	<u>\$619,334</u>

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C. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follows:

IAS 39	IFRS 9		Difference	Retained earnings adjustment	Other components of equity adjustment
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts		
Financial assets at fair value through profit or loss (Note 1)	\$69	Measured at fair value through profit or loss (Note 1)	\$69	\$-	\$-
Available-for-sale financial assets (including investments measured at cost with initial investment cost of NT\$28,028 thousand, reported as a separate line item) (Note 2)	28,028	Equity instruments measured at fair value through other comprehensive income	18,387	(9,641)	-
Loans and receivables (Note 3)					
Cash and cash equivalents	316,143	Cash and cash equivalents	316,143	-	-
Debt investments without active market (noncurrent included)	2,600	Financial assets measured at amortized costs (noncurrent included)	2,600	-	-
Notes receivables	1,313	Notes receivables	1,313	-	-
Accounts receivables (related parties included)	211,325	Accounts receivables (include related parties)	211,325	-	-
Other receivables (related parties included)	69,497	Other receivables (related parties included)	69,497	-	-
Subtotal	<u>600,878</u>	Subtotal	<u>600,878</u>	-	-
Total	<u>\$628,975</u>	Total	<u>\$619,334</u>	<u>\$(9,641)</u>	<u>\$-</u>
				<u>\$-</u>	<u>\$(9,641)</u>

Note 1: In accordance with IAS 39, financial assets classified as held for trading which measured at fair value through profit or loss might include embedded derivatives. In accordance with IFRS 9, they are classified as financial assets mandatorily measured at fair value through profit or loss.

Note 2: In accordance with of IAS 39, the Group's available-for-sale financial assets are stocks of unlisted companies. Adjustment details are described as follow:

Stocks (unlisted companies)

The Company assessed the facts and circumstances existed as at 1 January 2018, and determined these stocks were not held-for-trading; therefore, so the Company elects to designate them as financial assets measured at fair value through other comprehensive income. As of 1 January 2018, the Company reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT\$18,387 thousand. Related adjustments are described as follow:

The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost NT\$28,028 thousand, which fully impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value. The fair value of the stocks of unlisted companies was NT\$18,387 thousand as at 1 January 2018. Accordingly, the Company adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of NT\$18,387 thousand and also adjusted the other equity by NT\$9,641 thousand, respectively.

Note 3: In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

As of 1 January 2018, debt investments without active market (noncurrent included) of NT\$2,600 thousand were reclassified to financial assets measured at amortized cost.

D. Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

(c) Disclosure Initiative (Amendments to IAS 7 “Cash Flow Statement”)

The Company required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

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- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 “Leases”	January 1, 2019
b	IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
c	IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(a) IFRS 16 “Leases”

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

(c) IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

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

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(e) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

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

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item (a) explained below, the remaining standards and interpretations have no material impact on the Company.

(a) IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 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 arising from the adoption of IFRS 16 on the Company are summarized as follows:

- A. For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(i) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019 and the Company recognizes the right-of-use asset measuring at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, on a lease-by-lease basis.

Accordingly, the Company expects that the right-of-use asset will increase by NT\$107,924 thousand, and lease liability by NT\$107,924 thousand as of 1 January 2019.

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- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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 Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

- (a) 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 Ventures

The amendments address the 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 a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(d) Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence 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”.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company determined the standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan Dollar.

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are

retranslated using the exchange rates at the date when the fair value is determined; non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Foreign currency transactions and translation of financial statements in foreign currency

Each foreign operation of the company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences

recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Company holds the asset primarily for the purpose of trading.
- (c) The Company expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle.
- (b) The Company holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follow:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance)

and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Besides, at initial recognition, the Group make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before 1 January 2018 was as follow:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- (a) it is acquired principally for the purpose of selling in short term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- 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 group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is reclassified in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

B. Impairment of financial assets

The accounting policy from 1 January 2018 is as follow:

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company

measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before 1 January 2018 was as follow:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- (a) significant financial difficulty of the issuer or obligor; or
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
or
- (c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the

impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement).

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

- Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress - Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

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

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IAS 10 "Consolidated and Separate Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(11) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Land improvements	7 years
Buildings	5~60 years
Machinery and equipment	6~30years
Transportation equipment	5~20 years
Leasehold improvements	3~5 years
Other equipment	3~20 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Investment Property

The investment property is measured at its original cost and includes the transaction costs of the asset. The carrying amount of investment property includes the cost of refitting or adding existing investment real estate under the condition that the cost can be recognized, but the general daily maintenance costs are not part of its cost. After the original recognition, the

measurement of investment real estate is adopted in accordance with the IAS 16 "Property, Plant and Equipment", but according to the International Financial Reporting Standards No. 5 Current assets and business units "are excluded from the terms of the sale (or those classified as classified groups to be sold).

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	35~50 years
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In the event that the investment real estate is no longer used or is expected to be able to produce future economic benefits from the disposition, it shall be excluded and recognized gains and losses.

The Company decides to transfer or transfer the investment property according to the actual use of the assets.

(13) Leasing

Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental incomes under operating lease are recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated

intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets is assessed finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's accounting policies for intangible assets are as follows:

	<u>Cost of Computer Software</u>	<u>Cost of Trademark</u>
Useful economic life	3 to 8 years	4 years
Amortization method	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the period of contract
Internally generated or acquired externally	Acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has

been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(16) Treasury stock

The Company's own equity instruments repurchased (treasury shares) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(17) Revenue recognition

The accounting policy from 1 January 2018 as follow:

The Company's revenue arising from contracts with customers are mainly include sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Company manufactures and sells of goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 30 to 135 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The period between the time when the Company transfers the goods to customers and when

the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

Revenue from a service contract shall be recognized upon the performance obligations being met.

Revenue from technical services is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

The accounting policy before 1 January 2018 was as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Conditions and methods for the recognition of various types of revenue are listed below:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: significant risks and rewards of ownership of the goods have passed to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a service contract shall be recognized upon the performance obligations being met.

Revenue from technical services is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables), interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Company's right to receive the payment is established.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(20) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For defined contribution plan, the Company will make a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's individual financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Accounts receivables – estimation of impairment loss

Starting from January 1, 2018:

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c) Inventory valuation

The estimated value of the net realized value of the inventory considers the impairment of the inventory, all or part of the obsolescence or price declines. The value is the most reliable evidence of the expected amount of net realized value at the time of the estimate. Please refer to Note 6 for more details.

(d) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(e) Revenue recognition – sales returns and allowance

Starting from January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand	\$243	\$265
Demand deposits	270,295	315,794
Checking deposits	86	84
Total	\$270,624	\$316,143

(2) Financial assets at fair value through profit or loss

	As of December 31,	
	2018	2017
Embedded Derivatives:		
Right of redemption	\$-	\$69

	As of December 31,	
	2018	2017
Current	\$-	\$69
Non-current	-	-
Total	\$-	\$69

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Financial assets at fair value through profit or loss were not pledged.

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

	As of December 31,	
	2018	2017 (Note)
Equity instruments investments measured at fair value through other comprehensive income –		
Non-current:		
Unlisted company's stocks	\$10,892	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate the financial statements for prior periods in accordance with the transition provision in IFRS 9.

- a. As of January 1, 2016, the Company invested US\$917 thousand (equivalent to NT\$28,008 thousand) for 917,700 shares, representing 19% interest, of Fu-sheng International Inc. (Samoa). In 2016, the Company didn't participate an offering conducted by Fu-sheng International Inc. (Samoa) and its ownership interest in Fu-sheng International Inc. (Samoa) was reduced to 18.77%.
- b. For equity instrument investments measured at fair value through other comprehensive income, the Company recognized dividends in the amount of NT\$2 thousand for the year ended December 31, 2018.
- c. Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at cost

	As of December 31,	
	2018(Note)	2017
Unlisted company's stocks		\$28,028

	As of December 31,	
	2018 (Note)	2017
Current		\$-
Non-current		28,028
Total		\$28,028

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Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate the financial statements for prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

(5) Financial assets measured at amortized cost

	As of December 31,	
	2018	2017 (Note)
Time deposits	\$18,570	
Current	\$8,970	
Non-current	9,600	
Total	\$18,570	

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate the financial statements for prior periods in accordance with the transition provision in IFRS 9.

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge and Note 12 for more details on credit risk management.

(6) Debt investments without active market

	As of December 31,	
	2018(Note)	2017
Time deposits		\$2,600
Current		\$-
Non-current		2,600
Total		\$2,600

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Note: The Company has adopted IFRS 9 since January 1, 2018. The Company elected not to restate the financial statements for prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt investments without active market. Please refer to Note 8 for more details on debt investments without active market under pledge.

(7) Notes receivables

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	\$542	\$1,313
Less: loss allowance	-	-
Total	\$542	\$1,313

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 12 for more details on credit risk management.

(8) Accounts receivables and Accounts receivables-related parties

	As of December 31,	
	2018	2017
Accounts receivables	\$31,964	\$34,320
Less: loss allowance	(3,266)	(3,179)
Subtotal	28,698	31,141
Accounts receivables-related parties	233,334	180,184
Less: loss allowance	-	-
Subtotal	233,334	180,184
Total	\$262,032	\$211,325

Accounts receivables were not pledged.

Accounts receivables are generally on the collection term of 30-135 days. The Company adopts IFRS 9 for impairment assessment since January 1, 2018 in considering the factors such as the counterparty and area to distinguish the different groups and to adopt the expected

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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credit loss rate during the continuation period. The estimated loss ratio was small at December 31, 2018.

	Accounts receivables
As of January 1, 2018(in accordance with IAS 39)	\$3,179
Beginning adjusted retained earnings	-
As of January 1, 2018(in accordance with IFRS 9)	3,179
Charge/(reversal) for the current period	87
As of December 31, 2018	<u>\$3,266</u>

The Company adopted IAS 39 for impairment assessment before 1 January 2018. The movements in the provision for impairment of accounts receivables is as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
As of January 1, and December 31,2017	\$-	\$3,179	\$3,179

Aging analysis for the net accounts receivable, including related parties, were as follows:

As of	Neither past due nor impaired	Past due but not impaired:			Total
		<=90 days	90~180days	>180 days	
December 31, 2018	\$256,263	\$5,769	\$-	\$-	\$262,032
December 31, 2017	203,207	8,115	3	-	211,325

(9) Inventories

	As of December 31,	
	2018	2017
Raw materials	\$50,668	\$48,167
Supplies	27,358	28,600
Semi-finished goods and Work in process	157,567	153,358
Finished goods	83,497	87,385
Merchandise	1,472	4,335
Total	<u>\$320,562</u>	<u>\$321,845</u>

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- a. The cost of inventories recognized in expenses in amount of NT\$887,878 thousand and NT\$889,927 thousand for the years ended December 31, 2018 and 2017, respectively, including the write-down of inventories, is detailed as following

	For the year ended December 31,	
	2018	2017
Inventory loss on retirement	\$16,127	\$18,874
Loss(gain) from physical taking	(1,045)	(1,668)
Total	<u>\$15,082</u>	<u>\$17,206</u>

- b. No inventories were pledged.

(10) Investments accounted for using the equity method

Investees	As of December 31,			
	2018		2017	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Pro-partner Inc.	\$1,784,621	60.00	\$1,681,309	60.00
GRAPE KING INTERNATIONAL INVESTMENT INC.	815,416	100.00	632,347	100.00
Rivershine Ltd.	38,237	100.00	28,411	100.00
Dongpu Biotech Corporation	30,138	100.00	-	-
Total	<u>\$2,668,412</u>		<u>\$2,342,067</u>	

- (1) The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

- (2) The Company's investments accounted for using the equity method were not pledged.

(11) Prepayments and Other assets

	As of December 31,	
	2018	2017
Prepayment for purchase	\$24,956	\$10,190
Prepayment for equipment	156,855	189,382

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Other prepaid expenses	6,729	4,707
Other current assets	3,892	4,838
Overdue receivable	2,244	2,244
Less: loss allowance	(2,244)	(2,244)
Refundable deposits	14,543	15,151
Defined benefit asset	3,730	-
Other noncurrent assets-other	-	15,000
Total	<u>\$210,705</u>	<u>\$239,268</u>
Current portion	\$35,577	\$19,735
Noncurrent portion	175,128	219,533
Total	<u>\$210,705</u>	<u>\$239,268</u>

Overdue receivables were those expected not to be collected within a year and the Company has provided a full allowance for doubtful debts against them. The Company holds collateral for overdue receivables of NT\$2,244 thousand.

(12)Property, plant and equipment

	Land	Land Improvement	Building	Machinery	Vehicle	Leasehold improvement	Other facilities	Construction in progress	Total
Cost:									
As of Jan. 1, 2018	\$625,935	\$1,974	\$1,670,523	\$980,553	\$10,214	\$4,512	\$202,835	\$311,633	\$3,808,179
Additions	-	-	11,185	6,322	3,990	890	22,435	434,814	479,636
Disposals	-	-	-	(2,270)	-	(4,512)	(1,717)	-	(8,499)
Transfers	-	-	28,485	68,152	-	16,809	3,681	94,622	211,749
As of Dec. 31, 2018	<u>\$625,935</u>	<u>\$1,974</u>	<u>\$1,710,193</u>	<u>\$1,052,757</u>	<u>\$14,204</u>	<u>\$17,699</u>	<u>\$227,234</u>	<u>\$841,069</u>	<u>\$4,491,065</u>
As of Jan. 1, 2017	\$641,712	\$940	\$1,599,963	\$900,671	\$9,062	\$4,512	\$167,176	\$52,047	\$3,376,083
Additions	-	120	14,987	10,977	1,152	-	25,085	361,609	413,930
Disposals	(15,777)	-	(1,515)	(11,444)	-	-	(2,483)	-	(31,219)
Transfers	-	914	57,088	80,349	-	-	13,057	(102,023)	49,385
As of Dec. 31, 2017	<u>\$625,935</u>	<u>\$1,974</u>	<u>\$1,670,523</u>	<u>\$980,553</u>	<u>\$10,214</u>	<u>\$4,512</u>	<u>\$202,835</u>	<u>\$311,633</u>	<u>\$3,808,179</u>
Accumulated Depreciation:									
As of Jan. 1, 2018	\$-	\$687	\$391,255	\$716,596	\$5,735	\$4,503	\$123,500	\$-	\$1,242,276
Depreciation	-	286	74,026	67,483	1,573	977	23,680	-	168,025

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Disposals	-	-	-	(2,166)	-	(4,511)	(1,255)	-	(7,932)
As of Dec. 31, 2018	\$-	\$973	\$465,281	\$781,913	\$7,308	\$969	\$145,925	\$-	\$1,402,369
As of Jan. 1, 2017	\$-	\$427	\$321,210	\$665,823	\$4,535	\$4,403	\$101,151	\$-	\$1,097,549
Depreciation	-	260	71,330	61,704	1,200	100	24,724	-	159,318
Disposals	-	-	(1,285)	(10,931)	-	-	(2,375)	-	(14,591)
As of Dec. 31, 2017	\$-	\$687	\$391,255	\$716,596	\$5,735	\$4,503	\$123,500	\$-	\$1,242,276
Net carrying amount as of:									
Dec. 31, 2018	\$625,935	\$1,001	\$1,244,912	\$270,844	\$6,896	\$16,730	\$81,309	\$841,069	\$3,088,696
Dec. 31, 2017	\$625,935	\$1,287	\$1,279,268	\$263,957	\$4,479	\$9	\$79,335	\$311,633	\$2,565,903

- a. The significant part of the Company's buildings include main plant, air conditioning, electrical and wastewater treatment equipment and decoration, and the related depreciation is calculated based on the economic lives as shown below.

Significant part of buildings	Estimated economic lives
Main plant	30~60 years
Air conditioning and electrical	8~25 years
Wastewater treatment equipment	5~30 years
Decoration	15 years

- b. Please refer to Note 8 for details on property, plant and equipment under pledge.
- c. For the purpose of urban planning, Taoyuan City Government has expropriated the Company's partial land and land improvement in accordance with the Land Expropriation Act. The expropriation has been completed in 2017 and the Company was entitled to a compensation of NT\$109,274 thousand. The net amount of the compensation and the carrying amount in NT\$15,777 thousand of land and land improvement de-recognized was NT\$93,497 thousand, recorded under the caption of other incomes.

(13) Investment property

	Land	Buildings	Total	Accumulated Depreciation	Net
As of January 1, 2018	\$225,109	\$12,250	\$237,359	\$(2,004)	\$235,355
Depreciation	-	-	-	(267)	(267)
As of December 31, 2018	\$225,109	\$12,250	\$237,359	\$(2,271)	\$235,088

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As of January 1, 2017	\$225,109	\$12,250	\$237,359	\$(1,738)	\$235,621
Depreciation	-	-	-	(266)	(266)
As of December 31, 2017	\$225,109	\$12,250	\$237,359	\$(2,004)	\$235,355

	For the year ended December 31,	
	2018	2017
Rental income from investment property	\$2,832	\$2,832
Less:		
Direct operating expenses from investment property generating rental income	(267)	(266)
Total	\$2,565	\$2,566

- a. No investment property was pledged.
- b. Investment properties held by the Company are not measured at fair value while its fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties held by the Company is NT\$307,546 thousand and NT\$301,132 thousand, as of December 31, 2018 and 2017, respectively. The fair value has been determined based on the publicly announced current land value, and building value.
- c. The investment property - land listed above includes a piece of agricultural land in amount of NT\$5,600 thousand, which has been acquired due to a settlement of doubtful accounts by the Company but registered under the name of the Company's chairman, Mr. Tseng. The Company has obtained a guaranteed note amounting NT\$5,600 thousand from Mr. Tseng for security purpose.

(14) Intangible assets

	Computer software	Trademark	Total
Cost:			
As of January 1, 2018	\$18,163	\$15,049	\$33,212
Addition-acquired separately	1,117	-	1,117
As of December 31, 2018	\$19,280	\$15,049	\$34,329
As of January 1, 2017	\$16,260	\$15,049	\$31,309
Addition-acquired separately	1,903	-	1,903
As of December 31, 2017	\$18,163	\$15,049	\$33,212

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Accumulated Amortization:

As of January 1, 2018	\$5,111	\$6,216	\$11,327
Amortization	2,715	3,925	6,640
As of December 31, 2018	\$7,826	\$10,141	\$17,967

As of January 1, 2017	\$2,741	\$2,290	\$5,031
Amortization	2,370	3,926	6,296
As of December 31, 2017	\$5,111	\$6,216	\$11,327

Net carrying amount as of:

December 31, 2018	\$11,454	\$4,908	\$16,362
December 31, 2017	\$13,052	\$8,833	\$21,885

Amortization expense of intangible assets under the statement of comprehensive income:

	For the year ended December 31,	
	2018	2017
General administrative expenses	\$6,545	\$6,296
Selling and marketing expenses	\$95	\$-

(15) Short-term debt

	Interest Rates (%)	As of December 31,	
		2018	2017
Secured bank loans	0.98%~1.05%	\$650,000	\$100,000
Unsecured bank loans	0.98%~1.10%	150,000	200,000
		\$800,000	\$300,000

The Company's unused short-term lines of credits amount to NT\$650,000 thousand as of December 31, 2018 and 2017.

Please refer to Note 8 for property, plant and equipment pledged as collateral for short-term borrowings.

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(16) Other Payables

	As of December 31,	
	2018	2017
Salaries and incentive bonus	\$107,547	\$52,582
Bonus to employees	122,578	175,638
Bonus to directors and supervisors	30,645	31,867
Other accrued expenses	75,659	68,154
Payables on equipment	17,562	92,481
Accrued VAT payable	8,733	4,494
Others	1,978	1,884
Total	\$364,702	\$427,100

(17) Other current liabilities

	As of December 31,	
	2018	2017
Sales revenue received in advance	\$-Note	\$1,293
Provisions for sales returns and allowances	Note	2,831
Refund liability	2,831	Note
Other current liabilities-other	8,851	14,720
Total	\$11,682	\$18,844

Note: The Company accounts in accordance with IFRS 15 since 1 January 2018.

Provisions for sales returns and allowances

	Sales Returns and Allowances
As of January 1, 2017	\$7,500
Write off	(4,669)
As of December 31, 2017	\$2,831
	As of December 31,
	2017
Current	\$2,831
Non-current	-
Total	\$2,831

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Sales returns and allowances

In December 2016, the Company was affected by news events suspected of being overdue goods. In order to resolve the consumers' concern, the Company have accepted the return from consumers by the end of February 2017 and recorded the estimated loss from sales return in amount of NT\$7,500 thousand in 2016. As of December 31, 2018, the actual sale return totaled to NT\$4,669 thousand.

(18) Bonds payable

	As of December 31,	
	2018	2017
Domestic convertible bonds	\$-	\$171,207
Less: current portion	-	(171,207)
Net	\$-	\$-

a. Domestic convertible bonds payable

	As of December 31,	
	2018	2017
Liability component:		
Principal amount	\$-	\$172,100
Interest Payable Refund from Bond Conversion	-	1,294
Premiums (discounts) on bonds payable	-	(2,187)
Subtotal	-	171,207
Less: current portion	-	(171,207)
Net	\$-	\$-
Embedded derivative—Redemption	\$-	\$69
Equity component—Convertible	\$-	\$7,792

For the details of the gain or loss from valuation through P/L on embedded derivative—redemption right and the interest expense on the domestic convertible bonds payable, please refer to Note 6(25) to the consolidated financial statements.

b. On August 26, 2015, the Company issued zero-coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

(a) Issue amount: NT\$1,000,000 thousand.

(b) Period: From August 26, 2015 to August 26, 2018.

(c) Secured or unsecured: Unsecured bonds.

(d) Terms of Exchange:

① Underlying Securities: Common shares of the Company

② Exchange Period: The bonds are exchangeable at any time on or after September 27, 2015 and prior to August 26, 2018 into common shares of the Company except closed period.

③ Exchange Price and Adjustment: The exchange price was originally NT\$170.5 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

Because the cash dividends - common stock, distributed on 2016, were higher than 1.5% of current per share, the conversion price should be adjusted in accordance with Unsecured convertible bonds and Terms of Exchange 11, The conversion price was adjusted to NT\$165.9 from July 24, 2016.

Because the cash dividends - common stock, distributed on 2017, were higher than 1.5% of current per share, the conversion price should be adjusted in accordance with Unsecured convertible bonds and Terms of Exchange 11, The conversion price was adjusted to NT\$160.6 from July 17, 2017.

Because the cash dividends - common stock, distributed on 2018, were higher than 1.5% of current per share, the conversion price should be adjusted in accordance with Unsecured convertible bonds and Terms of Exchange 11, The conversion price was adjusted to NT\$155.9 from July 15, 2018.

④Redemption on the Maturity Date: The Company will redeem the bonds with interest refund (0.7519% of the principal amount) in cash if the convertible bonds will not have settled by the maturity date.

(e)Redemption clauses:

① The Company may redeem the bonds, in whole, but not in part, after a month of the issuance (September 27, 2015) and prior to the maturity date (July 17, 2018), at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 30% of the conversion price.

② The Company may redeem the bonds, in whole, but not in part, at the Early Redemption Price if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

c. On August 26, 2018, the Company repaid and cancelled the bonds amounting to NT\$3,300 thousand plus interest compensation NT\$25 thousand. Accordingly capital reserve due to share option in amount of NT\$150 thousand were transferred to capital reserve from expired share option. There were NT\$996,700 thousand and NT\$827,900 thousand bonds payable converted into shares as of December 31, 2018 and 2017 respectively.

(19)Other noncurrent liabilities

	As of December 31,	
	2018	2017
Guarantee deposit received	\$11,402	\$13,409
Accrued pension liabilities	-	1,492
Other noncurrent liabilities-other	324	1,617
Total	\$11,726	\$16,518

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(20) Operating leases

Operating lease commitments – Company as lessee

Future minimum lease payments of non-cancellable operating leases are as following:

	As of December 31,	
	2018	2017
Within one year	\$13,360	\$15,402
From one year to five years	44,727	18,146
Over five years	61,401	-
Total	\$119,488	\$33,548

The lease contracts listed above were rental expenses for land from Science-based Park, automobiles and warehouses.

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2018	2017
Minimum lease payments	\$15,155	\$17,709

(21) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT\$10,228 thousand and NT\$9,102 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the years ended December 31, 2018 and 2017 were NT\$(118) thousand and NT\$618 thousand, respectively.

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The fund is operated in a portfolio basis by Governance Committee on Labor Retirement Fund in accordance with the Rule for Custody and Operating the Labor Retirement Fund. The investment of the Fund may be executed either by the Committee itself or by outsourced other profession institutions with its investment strategy, including both active and passive management, targeting in a medium or longer term. In considering the risks of market, credit and liquidity, the Committee establishes the ceiling of fund investment and control plan, in one hand, to reduce investment risk to an affordable extent and, in the other hand, to achieve the targeted return flexibly. The use of the Fund, the annual income of the minimum allocation of income shall not be lower than the local bank two-year deposit of the proceeds, if insufficient, then approved by the authorities for the treasury to make up. Because the Company is not entitled to participate in the operation and management of the Fund, it is not possible to disclose the fair value of the planned assets in accordance with the provisions of Paragraph 142 of IAS 19.

The Company has applied to Department of Labor, Taoyuan City Government for sharing the labor retirement fund under a defined benefit plan with its subsidiary, Rivershine Ltd. (Rivershine). Accordingly Rivershine regonized pension expense in amount of NT\$764 thousand for the year ended December 31, 2018. The related information is as follows.

As of December 31, 2018, the Company plans to contribute NT\$3,073 thousand to the funds under its defined benefit scheme during the following fiscal year.

As of December 31, 2018, and 2017, the maturities of the Company's defined benefit plan were expected in 2031 and 2030 and the detail information is listed as below.

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Pension costs recognized in profit or loss were as follows:

	For the year ended December 31,	
	2018	2017
Service costs	\$649	\$486
Net interest of defined benefit liability (asset)	(3)	132
Total	\$646	\$618

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Defined benefit obligation	\$18,482	\$24,375	\$30,725
Plan assets at fair value	(22,212)	(22,883)	(19,991)
Other non-current liabilities – net defined benefit liability	\$(3,730)	\$1,492	\$10,734

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2017.1.1	\$30,725	\$19,991	\$10,734
Current service cost	486	-	486
Interest expense(revenue)	458	326	132
Past service cost and settlement	-	-	-
Total	31,669	20,317	11,352
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	-	-	-
Actuarial gain/loss due to change in financial assumptions	808	-	808
Experience adjustments	3,923	-	3,923
Re-measurement on defined benefit assets	-	(136)	136
Total	4,731	(136)	4,867
Benefits paid	(12,025)	(560)	(11,465)

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Contributions by employer	-	3,262	(3,262)
Effect of exchange rate	-	-	-
2017.12.31	24,375	22,883	1,492
Current service cost	391	-	391
Interest expense(revenue)	304	307	(3)
Past service cost and settlement	258	-	258
Total	25,328	23,190	2,138
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(5)	-	(5)
Actuarial gain/loss due to change in financial assumptions	744	-	744
Experience adjustments	(1,092)	-	(1,092)
Re-measurement on defined benefit assets	-	582	(582)
Total	(353)	582	(935)
Benefits paid	(1,357)	-	(1,357)
Contributions by employer	-	2,821	(2,821)
Curtailment	(5,136)	(4,381)	(755)
Effect of exchange rate	-	-	-
2018.12.31	\$18,482	\$22,212	\$(3,730)

The actuarial assumptions used for the Company's defined benefit plan are shown below:

	As of December 31,	
	2018	2017
Discount rate	1.00%	1.25%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis:

	For the year ended December 31,			
	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	\$-	\$(626)	\$-	\$(808)
Discount rate decrease by 0.25%	655	-	845	-
Expected salary level increased by 0.25%	647	-	836	-
Expected salary level decreased by 0.25%	-	(621)	-	(804)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years.

(22) Equities

(a) Common stock

The Company had 150,000 thousand authorized shares of which 136,286 thousand shares and 135,221 thousand shares were issued, as of December 31, 2018 and 2017, respectively, each at par value of NT\$10. Each share possesses one voting right and a right to receive dividends.

During 2017, the unsecured convertible bonds in amount of NT\$1,100 thousand were converted into 6,849 shares at par value of NT\$69 thousand. For the period ended December 31, 2018, the unsecured convertible bonds in amount of NT\$168,800 thousand were converted into 1,065,313 shares at par value of NT\$10,653 thousand.

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(b)Capital reserve

	As of December 31,	
	2018	2017
Treasury share transactions	\$4,363	\$4,363
Convertible bonds-share option	-	7,792
Convertible bonds-expired share option	150	-
Additional paid-in capital	954,280	788,091
Other	6,451	-
Total	\$965,244	\$800,246

According to Taiwan Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c)Treasury stock

On January 3, 2017, the Company's board has resolved to buy back its own shares as treasury stocks for transferring to its employee. The repurchase period was from January 4, 2017 to March 3, 2017 and the share volume to be brought back were 3,000,000 shares with the unit price interval of NT\$118 to NT\$349.5. As of the end of the repurchase period, the number of shares repurchased were 508,000 shares and the average repurchase unit price NT\$179.26. The carrying value of treasury stock as of December 31, 2018 was NT\$91,062 thousand.

(d)Retained earnings and dividend policy

A. Retained earnings

According to the company articles, the Company shall distribute their annual earnings, if any, in the sequence listed below.

- a. Payment of all taxes and dues;
- b. Making up loss for preceding years, if any;

- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

B. Dividend policy

The Company's dividend policy shall be determined pursuant to the factors, such as the investment environment, capital requirement, domestic and overseas competition environment, current and future business development plan, as well as shareholders' interests. The distribution of shareholders dividend shall be not lower than 60% remaining current-year earnings. However, the shareholders may resolve not to distribute dividends if the accumulated earnings were lower than 10% of the paid-in capital. The dividend can be distributed by cash, stock or both while at least 10% of total dividends shall be in cash.

C. Legal reserve

According to Taiwan's Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total authorized capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

D. Special reserve

Following the adoption of TIFRS, the Taiwan FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from

the previous period, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

E. The Company’s 2018 earnings distribution and dividends per share has been proposed in its Board of Directors meeting held on February 25, 2019 and 2017’s were approved in its annual shareholders’ meeting held on May 29, 2018. Related information were summarized as follows.

	Appropriation of earnings		Dividend per share (in NT\$)	
	2018	2017	2018	2017
Legal reserve	\$129,539	\$135,194		
Common stock – cash dividend	882,559	903,199	6.5	6.7

As to the details of estimation regarding employee’s and directors’ compensation, please refer to Note 6(24) to the financial statements.

(23) Operating revenues

	For the year ended December 31,	
	2018(Note)	2017
Sale of goods	\$1,820,360	\$1,742,206
Revenue arising from rendering of services	1,480	25,325
Other operating revenues	-	2,627
Total	\$1,821,840	\$1,770,158

Note: The Company has adopted IFRS 15 from 1 January 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

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The Company has adopted IFRS 15 from 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

(1) Disaggregation of revenue

For the year ended December 31, 2018

	<u>MLM</u>	<u>Distribution</u>	<u>OEM</u>	<u>Total</u>
Sale of goods	\$1,432,941	\$268,130	\$119,289	\$1,820,360
Revenue arising from rendering of services	-	-	1,480	1,480
Total	<u>\$1,432,941</u>	<u>\$268,130</u>	<u>\$120,769</u>	<u>\$1,821,840</u>
Revenue recognition point:				
At a point in time	<u>\$1,432,941</u>	<u>\$268,130</u>	<u>\$120,769</u>	<u>\$1,821,840</u>

(2) Contract balances

A. Contract liabilities – current

	<u>Beginning balance</u>	<u>Ending balance</u>	<u>Difference</u>
Sales of goods	<u>\$1,293</u>	<u>\$2,973</u>	<u>\$1,680</u>

The difference between the balance of the Company's contractual liabilities on December 31, 2018 and the beginning balance was due to the partial consideration received from customers and to be recognized as income upon the related performance obligations being satisfied subsequently.

(3) Assets recognized from costs to fulfil a contract: None.

(24) Schedule of employee benefits, depreciation and amortization by function:

	For the year ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries & wages	\$153,801	\$224,232	\$378,033	\$160,690	\$185,603	\$346,293
Labor and health insurance	9,849	13,856	23,705	8,899	13,422	22,321
Pension	5,173	4,937	10,110	4,722	4,998	9,720
Other employee benefits	6,037	4,677	10,714	5,525	4,154	9,679
Board compensation	-	27,332	27,332	-	27,405	27,405
Depreciation (Note 2)	128,037	40,255	168,292	121,902	37,682	159,584
Amortization	-	6,640	6,640	-	6,296	6,296

Note 1 : As of December 31, 2018, and 2017, the number of employees is 397 and 370 respectively. There were 8 non-employee directors for both years.

Note 2 : The aforementioned depreciation includes the depreciation of investment properties, that the Company recognized other gains and losses NT\$267 thousand and NT\$266 thousand, respectively, for the year ended December 31, 2018 and 2017.

According to the resolution, 6%~8% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition there to a report of such distribution is submitted to the shareholders' meeting. Information on Board of Directors' resolution regarding employees' compensation and remuneration to directors and supervisors can be obtained from "Market Observation Post System" on the website of TWSE.

Based on profit of the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be 8% of profit of the current year and 2% of profit of the current year, respectively, recognized as employee benefits expense and remuneration to directors and supervisors. As such, employees' compensation and remuneration to directors and supervisors

for the year ended December 31, 2018 amount to NT\$122,578 thousand and NT\$30,645 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 amount to NT\$127,470 thousand and NT\$31,867 thousand, respectively. If the Board of Directors resolves to distribute employee compensation through stock, the number of stock distributed is calculated based on total employee compensation dividend by the closing price of the day before the Board of Directors meeting.

The Company's Board of directors, in a meeting held on February 25, 2019, have approved the Company's 2018 employee compensation and remuneration to directors and supervisors, all in cash, to be NT\$122,578 thousand and NT\$30,645 thousand, respectively, were consistent with amounts recognized by the company.

The Company's Board of directors, in a meeting held on February 22, 2018, have approved the Company's 2017 employee compensation and remuneration to directors and supervisors, all in cash, to be NT\$127,470 thousand and NT\$31,867 thousand, respectively, were consistent with amounts recognized by the company.

(25) Non-operating incomes and expenses

(a) Other incomes

	For the year ended	
	December 31,	
	2018	2017
Rental revenue	\$3,818	\$3,850
Interest income from bank deposits	Note	481
Financial assets measured at amortized cost	453	Note
Dividend income	2	2
Board compensation income	68,073	65,483
Compensation revenue	-	93,497
Other Income	17,383	2,535
Total	\$89,729	\$165,848

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate the financial statements for prior periods in accordance with the transition provision in IFRS 9.

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(b) Other gains and losses

	For the year ended	
	December 31,	
	2018	2017
Gain from financial assets at fair value through P/L(Note)	\$364	\$387
Loss from disposal of property, plant and equipment	-	(715)
Foreign exchange loss, net	627	(599)
Others	(10,346)	(267)
Total	<u>\$ (9,355)</u>	<u>\$ (1,194)</u>

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss and balance in prior period was arising from held for trading investment.

(c) Finance costs

	For the year ended	
	December 31,	
	2018	2017
Interest on borrowings from bank	\$5,044	\$1,705
Imputed interest on deposit	32	32
Interest on corporate bond	1,324	3,320
Total	<u>\$6,400</u>	<u>\$5,057</u>

(26) Components of other comprehensive income

For the year ended December 31, 2018

	<u>Arising during the period</u>	<u>Income tax benefit (expense)</u>	<u>Other comprehensive income, net of tax</u>
Not reclassified to profit or loss:			
Measure on defined benefit plans	\$935	\$(184)	\$751
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(7,495)	-	(7,495)
Actuarial gain (loss) from defined benefit of subsidiaries	(72)	15	(57)
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating the financial statements of foreign operations	(16,355)	-	(16,355)
Total	<u>\$ (22,987)</u>	<u>\$ (169)</u>	<u>\$ (23,156)</u>

For the year ended December 31, 2017

	<u>Arising during the period</u>	<u>Income tax benefit (expense)</u>	<u>Other comprehensive income, net of tax</u>
Not reclassified to profit or loss:			
Measure on defined benefit plans	\$(4,867)	\$828	\$(4,039)
Actuarial gain (loss) from defined benefit of subsidiaries	(240)	59	(181)
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating the financial statements of foreign operations	(8,399)	-	(8,399)
Total	<u>\$ (13,506)</u>	<u>\$ 887</u>	<u>\$ (12,619)</u>

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(27) Income tax

Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. Income tax on unappropriated earnings would be changed to 5% from 10%

The major components of 2018 and 2017 income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2018	2017
Current income tax expense (benefit):		
Current income tax charge	\$54,842	\$57,249
Income tax on unappropriated earnings	31,355	30,496
Adjustments in respect of current income tax of prior periods	(2,045)	(23,427)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary difference	(383)	17,778
The effect of tax rate change	(140)	-
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(19)	-
Total income tax expense	<u>\$83,610</u>	<u>\$82,096</u>

Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2018	2017
Deferred tax expense (benefit):		
Exchange differences on translation of foreign operations	\$-	\$-
Actuarial gain (loss) from defined benefit of subsidiaries	(15)	(59)
Premeasurement of defined benefit plans	184	(828)
Income tax relating to components of other comprehensive income	<u>\$169</u>	<u>\$(887)</u>

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Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2018	2017
Accounting profit (loss) before tax from continuing operations	\$1,379,004	\$1,434,037
Tax payable at the enacted tax rates	\$275,801	\$243,786
Tax effect of deferred tax assets/liabilities	-	(18,919)
10 % surtax on undistributed retained earnings	31,355	30,496
Adjustments in respect of current income tax of prior periods	(2,045)	(23,427)
Adjustment in respect of deferred tax of prior periods	(19)	17,802
The effect of tax rate change	(140)	-
Others	(221,342)	(167,642)
Total income tax expense (income) recognized in profit or loss	\$83,610	\$82,096

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of Jan. 1, 2018	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2018
Temporary differences				
Unrealized revaluation	\$(68,463)	\$-	\$-	\$(68,463)
Employee benefit payable	241	43	-	284
Allowance for uncollectible accounts	551	15	-	566
Employee benefit	-	484	-	484
Defined benefit liability(asset)- non-current	19	-	(184)	(165)
Deferred tax income/ (expense)		\$542	\$(184)	
Net deferred tax assets/(liabilities)	\$(67,652)			\$(67,294)
Reflected in balance sheet as follows:				
Deferred tax assets	\$811			\$1,334
Deferred tax liabilities	\$(68,463)			\$(68,628)

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For the year ended December 31, 2017

	Beginning balance as of Jan. 1, 2017	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2017
Temporary differences				
Unrealized revaluation	\$(68,463)	\$-	\$-	\$(68,463)
Employee benefit payable	241	-	-	241
Allowance for uncollectible accounts	485	66	-	551
Unrealized of Inventory scrap	42	(42)	-	-
Provisions for sales returns and allowances	1,275	(1,275)	-	-
Compensation revenue	16,527	(16,527)	-	-
Defined benefit liability(asset)- non-current	(809)	-	828	19
Deferred tax income/ (expense)		<u>\$(17,778)</u>	<u>\$828</u>	
Net deferred tax assets/(liabilities)	<u>\$(50,702)</u>			<u>\$(67,652)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$18,570</u>			<u>\$811</u>
Deferred tax liabilities	<u>\$(69,272)</u>			<u>\$(68,463)</u>

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$0 thousand and NT\$20,829 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to NT\$6,824 thousand and NT\$0 thousand, respectively.

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Tax assessment

As of December 31, 2018, the assessment from tax authority for the Company is as follows.

	Status
The Company	Assessed and approved up to 2016

(28) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2018	2017
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,295,394	\$1,351,941
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	135,363	134,743
Basic earnings per share (in NT\$)	\$9.57	\$10.03
	For the year ended December 31,	
	2018	2017
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,295,394	\$1,351,941
Interest expense from convertible bonds (in thousand NT\$)	1,286	3,271
Gain or loss on valuation of redemption	63	18
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$1,296,743	\$1,355,230

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Weighted average number of ordinary shares		
outstanding for basic earnings per share (in thousand shares)	135,363	134,743
Effect of dilution:		
Employee bonus—stock (in thousand shares)	735	752
Convertible bonds (in thousands shares)	432	1,044
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	136,530	136,539
Diluted earnings per share (in NT\$)	\$9.50	\$9.93

There were no other transaction involving ordinary shares or potential ordinary shares between the balance sheet date and the completion date of the Company's parent company only financial statements.

7. Related party transactions

(1) Name of related party and the relation

Name of related party	Relation with the Company
Pro-partner Inc.(Pro-partner)	The Company's subsidiary
Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	The Company's subsidiary
Rivershine Ltd. (Rivershine)	The Company's subsidiary
Dongpu Biotech Corporation	The Company's subsidiary
Laifu Limited Company (Laifu)	Related party in substance
Pu Hsing Enterprise Co., Ltd. (Pu Hsing)	A director of Pro-partner
Taipei City Pro-partner Technology and Human Development Foundation (Pro-partner Foundation)	Pro-partner is its sole founder
Chang-Yeh Tseng	A director of the Company

(2) Significant transactions with related parties

a. Sales

	For the year ended December 31,	
	2018	2017
Pro-partner	\$1,432,941	\$1,417,487
Rivershine	121,612	117,758

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Other subsidiaries	22,907	12,199
Other related parties	-	(338)
Total	<u>\$1,577,460</u>	<u>\$1,547,106</u>

The aforementioned parties are the exclusive distributors for beverage and health food products of the Company, and subsidiaries. The sales price for the other related parties was determined based on mutual consent. For the collection of the relationship, the collection is 30-120 days, and the general customers collection conditions are 30-135 days.

b. Accounts receivables to related parties

	As of December 31,	
	2018	2017
Pro-partner	\$165,772	\$128,084
Rivershine	59,931	51,914
Other subsidiaries	7,631	186
Total	<u>\$233,334</u>	<u>\$180,184</u>

c. Other receivables to related parties (Board compensation included)

	As of December 31,	
	2018	2017
Pro-partner	\$69,803	\$65,839
Other subsidiaries	43	18
Total	<u>\$69,846</u>	<u>\$65,857</u>

d. Other payables to related parties

	As of December 31,	
	2018	2017
Rivershine	<u>\$72</u>	<u>\$-</u>

e. Guarantee deposit received (Non-current liabilities)

	As of December 31,	
	2018	2017
Pro-partner	<u>\$472</u>	<u>\$-</u>

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f. General and administrative expenses – rental

	As of December 31,	
	2018	2017
Other related parties	\$480	\$1,440

The rental paid to the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

g. Revenue from rental assets

	As of December 31,	
	2018	2017
Pro-partner	\$3,422	\$3,415
Other subsidiaries	381	343
Other related parties	15	23
Total	\$3,818	\$3,781

The rental from the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

h. Other income (Board compensation included)

	For the year ended December 31,	
	2018	2017
Pro-partner	\$69,012	\$65,817

i. Key management personnel compensation

	For the year ended December 31,	
	2018	2017
Short-term employee benefits	\$63,907	\$57,307
Post-employment benefits	214	153
Total	\$64,121	\$57,460

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8. Assets pledged as collaterals

The following assets are pledged as collaterals.

Assets pledged	As of December 31,		Purpose of pledge
	2018	2017	
Property, plant and equipment-land	\$340,422	\$166,382	For long-term and short-term secured loans.
Property, plant and equipment-building	281,587	204,031	For long-term and short-term secured loans.
Debt investments without active market-pledged time deposits	Note	2,600	For leasing land from Science-based Park and Chinese Petroleum Corporation natural gas.
Financial assets measured at amortized cost-pledged time deposits	9,600	Note	For Chinese Petroleum Corporation natural gas, leasing land and operating center at Science-based Park.
Total	\$631,609	\$373,013	

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

9. Commitments and contingencies

- (1) The Company's guarantee notes issued to banks for credit lines amounted to NT\$350,000 thousand.
- (2) Amount available under letters of credit as of December 31, 2018 are NT\$11,053 thousand.
- (3) A Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2018 were as follows.

Nature of Contract	Contract Amount	Amount Paid	Outstanding Balance
Plant and Machinery	\$1,055,000	\$590,905	\$464,095

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10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Financial instruments

(1) Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	2018	2017
Financial asset at fair value through P/L:		
Designated financial asset at fair value through P/L	\$-	\$69
Subtotal	-	69
Financial assets at fair value through OCI	10,892	Note1
Available-for-sale financial assets (Note 2)	Note1	28,028
Financial assets measured at amortized cost (Note 3)	622,816	Note1
Loans and receivables (Note 4)	Note1	600,878
Total	\$633,708	\$628,975
 <u>Financial liabilities</u>	 As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term loans	\$800,000	\$300,000
Notes payable	-	11
Accounts payable	127,192	104,193
Other payables	364,702	427,100
Other payables – related parties	72	-
Bonds payable (current portion included)	-	171,207
Total	\$1,291,966	\$1,002,511

Note:

- 1) The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

- 2) Balances as at 31 December 2017 including financial assets measured at cost.
- 3) Including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivables (related parties included) and other receivables (related parties included).
- 4) Including cash and cash equivalents, notes receivable, accounts receivables (related parties included), bond investments with no active market and other receivables (related parties included).

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The Company has no significant foreign currency monetary items as of December 31, 2018 and 2017.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments with variable interest rates. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit before tax for the years ended December 31, 2018 and 2017 to decrease/increase by NT\$511 thousand and increase/decrease by NT\$18 thousand, respectively.

Equity price risk

The fair value of the Company's unlisted equity securities and monetary fund are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's unlisted equity securities, including fair value through other comprehensive income (2017: held for trading.)

The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 5% in the net asset value of the monetary fund held for trading could increase/decrease the Company's profit before tax for the years ended December 31, 2018 and 2017 to increase/decrease by NT\$0 thousand and NT\$3 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that the counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2018, and 2017, receivables from the top ten customers were accounted for 89.27% and 91.71% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and highly liquid equity investments. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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Non-derivative financial instruments

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Total
<u>As of December 31, 2018</u>					
Short-term loans	\$800,379	\$-	\$-	\$-	\$800,379
Accounts payable	127,192	-	-	-	127,192
Other payables (related parties included)	211,551	153,223	-	-	364,774
<u>As of December 31, 2017</u>					
Short-term loans	\$300,194	\$-	\$-	\$-	\$300,194
Notes payable	11	-	-	-	11
Accounts payable	104,193	-	-	-	104,193
Other payables	267,763	159,337	-	-	427,100
Bonds payable (current portion included)	-	173,394	-	-	173,394

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as at 31 December 2018:

	Short-term borrowings	Guarantee deposit received	Bonds payable	Total liabilities from financing activities
As at 1 January, 2018	\$300,000	\$13,409	\$171,207	\$484,616
Cash flows	500,000	(2,007)	(3,325)	494,668
Non-cash changes				
Bonds conversion	-		(167,882)	(167,882)
As at 31 December, 2018	\$800,000	\$11,402	\$-	\$811,402

Reconciliation of liabilities as at 31 December 2017: Not applicable

(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

Financial liabilities:	Carrying value		Fair value	
	December 31,2018	December 31,2017	December 31,2018	December 31,2017
Bonds payable (Current portion)	\$-	171,207	\$-	171,876

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

The Company's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2018 and 2017 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(18) for further information on this transaction.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

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Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	\$-	\$-	\$10,892	\$10,892

As of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded Derivative	\$-	\$-	\$69	\$69

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

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Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets		Total
	At fair value through P/L Derivatives	At fair value through OCI Stock	
Beginning balances as of January 1, 2018	\$69	\$28,028	\$28,097
Retroactively recognized in other rights at the beginning of the period	-	(9,641)	(9,641)
Bonds conversion	(6)	-	(6)
Total gains and losses recognized for the year ended December 31, 2018:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(63)	-	(63)
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-	(7,495)	(7,495)
Ending balances as of December 31, 2018	\$-	\$10,892	\$10,892

	Assets		Total
	At fair value through PL Derivatives	At fair value through OCI Stocks	
Beginning balances as of January 1, 2017	\$87	\$-	\$87
Total gains and losses recognized for the year ended December 31, 2017:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(18)	-	(18)
Ending balances as of December 31, 2017	\$69	\$-	\$69

Total gains and losses recognized in profit or loss for the years ended December 31, 2018 and 2017 in the table above contain gains and losses related to assets on hand as of December 31, 2018 and 2017 in the amount of NT\$(63) thousand and NT\$(18) thousand.

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	30.00%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT\$156 thousand

As of December 31, 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Embedded derivatives	Option pricing model	Volatility	29.31%	The higher the volatility, the higher the fair value of the embedded derivatives.	1% increase (decrease) in the volatility would result in decrease in the Company's profit or loss by NT\$17 /34 thousand

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(C) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(13))	<u>\$-</u>	<u>\$-</u>	<u>\$307,546</u>	<u>\$307,546</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(18))	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(13))	<u>\$-</u>	<u>\$-</u>	<u>\$301,132</u>	<u>\$301,132</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(18))	<u>\$-</u>	<u>\$-</u>	<u>\$171,876</u>	<u>\$171,876</u>

(10) Significant assets and liabilities denominated in foreign currencies

The Company has no balance of significant foreign currency financial assets and liabilities as at December 31, 2018 and 2017.

(11) Capital management

The objective of Company's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Company's capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Company plans the required capacity and the necessary plant and equipment to achieve this capacity and

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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the corresponding capital expenditure according to those strategies. Then the Company calculates the required working capital and cash, based on industry characteristics, and estimate the possible product margins, operating margin and cash flow. In order to determine the most appropriate of the Company's capital structure, taking into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

As of December 31, 2018, and 2017, the debt ratios of the Company are listed below:

	As at December 31,	
	2018	2017
Total liabilities	\$1,444,572	\$1,160,863
Total capital	\$7,174,867	\$6,356,109
Debt ratio	20.13%	18.26%

13. Other disclosure

(1) Information at significant transactions

- a. Financing provided to others for the year ended December 31, 2018: None.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2018: Please refer to attachment 1.
- c. Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint venture): Please refer to attachment 2.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2018: Please refer to attachment 3.

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2018: Please refer to attachment 5.
- i. Financial instruments and derivative transactions: None.

(2) Information on investees

- A. Names, locations and related information of investees as of December 31, 2018 (excluding the investment in Mainland China): Please refer to attachment 4.
- B. Information at significant transactions
 - a. Financing provided to others for the year ended December 31, 2018: None
 - b. Endorsement/Guarantee provided to others for the year ended December 31, 2018: None.
 - c. Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint venture): None
 - d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.
 - e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.
 - f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.
 - g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2018: Please refer to attachment 3.
 - h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2018: None.
 - i. Financial instruments and derivative transactions: None.

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NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in mainland China :

Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China :

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated Investment Outflows from Taiwan as of January 1, 2018	Investment Flows		Accumulated Investment Outflows from Taiwan as of December 31, 2018	Net Income (Loss) of Investee Company	Percentage of Direct or Indirect Ownership	Investment Profit(Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Shanghai Grape King Enterprise Co., Ltd.	Manufacturing and selling capsule, tablet, related products and services.	US\$27,900 thousand	(Note1(2)) (Note 3)	\$847,672 (USD 27,350 thousand)	\$-	\$-	\$847,672 (USD 27,350 thousand)	\$198,012 (Note2 (2) B)	100%	\$198,484 (Note 2(2) B)	\$763,491	\$-
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	US\$4,890 thousand	(Note 1(2)) (Note 4)	\$26,794 (USD 878 thousand)	\$-	\$-	\$26,794 (USD 878 thousand)	\$- (Note 2(3))	18.77%	\$- (Note 2(3))	\$10,852 (Note 2(3))	\$-

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Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	US\$150 thousand	(Note 1(2)) (Note 5)	\$4,060 (USD 150 thousand)	\$-	\$-	\$4,060 (USD 150 thousand)	\$294 (Note 2 (2) B)	100%	\$294 (Note 2 (2) B)	\$4,615	\$-
Dongpu Biotech Corporation	Biotechnology R&D and transfer; Sales: biological products, special foods (health foods), food materials, food packaging materials, cosmetics, daily necessities; commission agents (excluding auctions); import and export of goods.	RMB5,000 thousand	(Note 1(1)) (Note 6)	\$-	\$23,200 (RMB 5,000 thousand)	\$-	\$23,200 (RMB 5,000 thousand)	\$7,610 (Note 2 (2) B)	100%	\$7,591 (Note 2 (2) B)	\$30,138	\$-

Accumulated investment in Mainland China as at December 31, 2018	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$901,726	\$901,726	\$4,159,962

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NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).
- (3) Other methods.

Note 2: The investment income (loss) recognized in current period:

- (1) Please specify no investment income (loss) has been recognized due to the investment is still during development stage.
- (2) The investment income (loss) were determined based on the following basis:
 - A. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
 - B. The financial statements certified by the CPA of the parent company in Taiwan.
 - C. Others.
- (3) Recorded as financial assets at fair value through other comprehensive income.

Note 3: The Company invested in Shanghai Grape King Enterprise Co., Ltd. through subsidiary GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 4: The Company invested in Shanghai Yusong Co., Ltd. through FU-Sheng International Inc. (SAMOA).

Note 5: The Company indirectly invested in Shanghai Rivershine Ltd. through its subsidiary, GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 6: The Company directly invested in Dongpu Biotech Corporation.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

Grape King Bio Ltd.

Endorsement/Guarantee Provided to Others

For the year ended December 31, 2018

ATTACHMENT 1

(Amounts Expressed in Thousands of New Taiwan Dollars)

Endorsements or guarantees provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note1)	Name	Company Name	Relationship (Note2)										
0	Grape King Bio Ltd.	Shanghai Grape King Enterprise Co., Ltd.	2	\$2,389,954	\$93,930	\$-	\$-	\$-	-%	\$2,549,284	Y	N	Y

Note1 : No.0 is for the parent company. Subsidiaries are numbered from Arabic numerals 1.

Note2 : The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- 1.The company with business contacts.
- 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
- 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
- 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
- 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
- 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
- 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note3 : According to the Company's "Endorsement Procedures", the total amount of the guarantees endorsed by the Company is limited to 48% of the net value of the Company's most recent financial statements.

The guarantee limit for endorsement of a single enterprise is limited to 45% of the net value of the most recent financial statements.

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Securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint venture)

ATTACHMENT2

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Held Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	As of December 31, 2018				Note	
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value		
Grape King Bio Ltd.	Stock	FU-Sheng International Inc. (SAMOA)	-	Financial assets at fair value through other comprehensive income, noncurrent	917,700	\$28,008	18.77%	10,852	
		Hsin Tung Yang Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,000	20	-	40	
		Total		Financial assets at fair value through other comprehensive income, valuation adjustments		<u>(17,136)</u>		<u>-</u>	
					<u>\$10,892</u>		<u>\$10,892</u>		

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Grape King Bio Ltd.

Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2018

ATTACHMENT3

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction(Note1)		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of total Purchases (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)	
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	\$1,432,941	78.65%	Net 30 days after monthly closing	By contract	-	\$165,772	62.36%	
Grape King Bio Ltd.	Rivershine Ltd.	Subsidiary	Sales	\$121,612	6.68%	Net 120 days after monthly closing	By contract	-	\$59,931	22.54%	
Pro-partner Inc.	Grape King Bio Ltd	Parent Company	Purchases	\$1,432,941	100.00%	Net 30 days after monthly closing	By contract	-	\$(165,772)	102.34%	
Rivershine Ltd.	Grape King Bio Ltd	Parent Company	Purchases	\$121,612	100.00%	Net 120 days after monthly closing	By contract	-	\$(59,931)	100.00%	

Note 1: If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.

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Grape King Bio Ltd.

Names, locations and related information of investees as of December 31, 2018 (excluding the investment in Mainland China)

ATTACHMENT 4

(Amounts in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Business	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Book Value			
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI)	BVI	Investment activities	\$1,198,018	\$1,198,018	24,890,000	100.00%	\$815,416	\$199,996	\$200,468 (Note1)	Subsidiary
	Pro-partner Inc.	Taoyuan City, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	10,560,000	60.00%	1,784,621	1,486,601	893,337 (Note1)	Subsidiary
	Rivershine Ltd.	Taoyuan City, Taiwan	Import and selling of health food, drink, daily commodities, appliances, etc.	30,000	30,000	3,000,000	100.00%	38,237	9,827	9,827	Subsidiary
			Total					<u>\$2,638,274</u>		<u>\$1,103,632</u>	

Note 1: The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$1,791 thousand has been adjusted.

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Grape King Bio Ltd.

Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2018

ATTACHMENT 5

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Recognized as Allowance for Bad Debts
						Amount	Action Taken		
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Accounts Receivable -Related Parties	<u>\$165,772</u>	9.75	<u>\$-</u>	-	<u>\$165,772</u>	<u>\$-</u>

Grape King Bio Ltd.

1. Statement of Cash and Cash Equivalents

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand		\$243	1.Exchange Rate
Demand deposits		256,561	NTD:USD=29.672:1
Foreign currency deposits		13,734	NTD:RMB=4.562:1
Checking deposits		86	NTD:JPY=0.269:1
Subtotal		270,381	2.Cash and cash equivalents
Total		\$270,624	were not pledged.

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Grape King Bio Ltd.

2.Statement of Financial Assets Measured at Amortized Cost – Current

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Name	Description	Unit	Par value	Amount	Interest Rates	Book value	Note
HUA NAN BANK – Zhongli Branch	Foreign currency time deposits	1	<u>US\$300</u>	<u>US\$300</u>	2.1%	<u>NT\$8,970</u>	Financial assets measured at amortized cost were not pledged.

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Grape King Bio Ltd.

3. Statement of Notes Receivable, net

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
380105	\$378	1. The amount of individual client included in others does not exceed 5% of the account balance.
22390988	80	
28589120	61	2. The notes receivables incurred from operating activities and were not pledged.
Others	<u>23</u>	
Total	542	3. Non related parties.
Less: loss allowance	<u>-</u>	
Net	<u><u>\$542</u></u>	

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Grape King Bio Ltd.

4. Statement of Accounts Receivable, net

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
110008	\$9,306	1. The amount of individual client included in others does not exceed 5% of the account balance.
171127	3,254	
320231	2,874	2. The accounts receivable incurred from operating activities and were not pledged.
3F0009	2,457	
310276	2,362	3. Non related parties.
171125	2,129	
310105	1,687	
Others	<u>7,895</u>	
Total	31,964	
Less: loss allowance	<u>(3,266)</u>	
Net	<u><u>\$28,698</u></u>	

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Grape King Bio Ltd.

5. Statement of Accounts Receivable – Related Parties, net

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
Pro-partner Inc.	\$165,772	Accounts receivable – related parties incurred from operating activities and were not pledged
Rivershine Ltd.	59,931	
Shanghai Grape King Enterprise Co., Ltd	7,631	
Total	<u>\$233,334</u>	

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6.Statement of Other Receivables

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Other Receivables	\$1,202	
Less: loss allowance	<u>-</u>	
Net	<u>\$1,202</u>	

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Grape King Bio Ltd.

7. Statement of Other Receivables – Related Parties

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

	Amount	Note
Pro-partner Inc.	\$69,803	The other receivables incurred mainly from remuneration to directors.
Rivershine Ltd.	<u>43</u>	
Total	<u><u>\$69,846</u></u>	

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Grape King Bio Ltd.

8. Statement of Inventories, net

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$51,275	\$51,275	1. Inventories are valued at lower of cost or net realizable value item by item.
Supplies	27,928	27,358	
Semi-finished goods and Work in progress	157,567	157,567	
Finished goods	88,947	194,349	
Merchandises	1,472	1,472	
Total	327,189	\$432,021	2. The insurance coverage for inventories was NT\$397,765 thousand as of December 31, 2018.
Less: allowance for inventory valuation losses	(6,627)		3. Inventories were not pledged.
Net	\$320,562		

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Grape King Bio Ltd.

9.Statement of Prepayments

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Prepayment for purchase	\$24,956	
Other	6,729	
Total	<u>\$31,685</u>	

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10. Statement of Other Current Assets

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Temporary payments	<u>\$3,892</u>	

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11. Statements of Changes in Financial Assets at Fair Value Through Other Comprehensive Income

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Name	As of January 1, 2018		IFRS 9 first measure		Decrease		As of December 31, 2018		Collateral	Note
	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount		
Unlisted company's stock										
Hsin Tung Yang Co., Ltd.	-	\$ -	2,000	\$20	-	\$ -	2,000	\$20	None	
FU-Sheng International Inc. (SAMOA)	-	-	917,700	28,008	-	-	917,700	28,008	None	
Evaluation adjustment		-		(9,641)		(7,495)		(17,136)		
Total		<u>\$ -</u>		<u>\$18,387</u>		<u>\$(7,495)</u>		<u>\$10,892</u>		

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12. Statement of Financial Assets Measured at Amortized Cost -- Non Current

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Name	Description	Unit	Par value	Amount	Interest Rates	Book value	Note
HUA NAN BANK — Zhongli Branch	Time deposits	1	\$2,600	\$2,600	1.045%	\$2,600	Pledge for leasing land at Science-based Park.
HUA NAN BANK — Zhongli Branch	Time deposits	3	7,000	7,000	1.045%	7,000	Pledge for Chinese Petroleum Corporation natural gas.
			<u>\$9,600</u>	<u>\$9,600</u>		<u>\$9,600</u>	

Grape King Bio Ltd.

13. Statement of Changes in Investments Accounted for Using Equity Method

For the Year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2018		Additions		Decrease		As of December 31, 2018			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
Name of Subsidiary:													
GRAPE KING INTERNATIONAL INVESTMENT INC.	24,890,000	\$632,347	-	\$200,468 (Note1)	-	\$(17,399) (Note1)	24,890,000	100%	\$815,416	32.92	\$819,338	None	
Pro-partner Inc.	10,560,000	1,681,309	-	893,337 (Note2)	-	(790,025) (Note2)	10,560,000	60%	1,784,621	284.80	3,007,438	None	
Rivershine Ltd.	3,000,000	28,411	-	9,826 (Note3)	-	-	3,000,000	100%	38,237	12.75	38,237	None	
Dongpu Biotech Corporation	-	-	-	31,001 (Note4)	-	(863) (Note4)	-	100%	30,138	-	29,966	None	
Total		<u>\$2,342,067</u>		<u>\$1,134,632</u>		<u>\$(808,287)</u>			<u>\$2,668,412</u>		<u>\$3,894,979</u>		

Note1: The amounts included the investment gain recognized under share of profit or loss of subsidiaries of NT\$199,996 thousand, tax effect of unrealized inter-company profit of NT\$472 thousand, the exchange differences on translation of foreign operations of NT\$(15,511) thousand, and the unrealized inter-company profit from the downstream transaction, net of tax, of NT\$1,888 thousand.

Note2: The amounts included the investment gain recognized under share of profit or loss of subsidiaries of NT\$892,018 thousand, tax effect of unrealized inter-company profit of NT\$1,319 thousand, the other comprehensive income recognized under share of comprehensive income of subsidiaries of NT\$(57) thousand, the received cash dividends of NT\$786,587 thousand, and the unrealized inter-company profit from the downstream transaction, net of tax, of NT\$3,381 thousand.

Note3: It was the investment gain recognized under share of profit or loss of subsidiaries.

Note4: The amounts included the investment injection of NT\$23,200 thousand, the investment gain recognized under share of profit or loss of subsidiaries of NT\$7,610 thousand, tax effect of realized inter-company profit of NT\$19 thousand, the exchange differences on translation of foreign operations of NT\$(844) thousand, and the realized inter-company profit from the downstream transaction, net of tax, of NT\$191 thousand.

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14. Statement of Other Non Current Assets

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Prepayment for equipment	\$156,855	
Refundable deposits	14,543	
Defined benefit asset	3,730	
Total	<u>\$175,128</u>	

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Grape King Bio Ltd.

15. Statement of Short-term Debt

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Description	Type	As of December 31, 2018	Contract Period	Interest Rates	Credits amount	Collateral	Note
HUA NAN BANK – Zhongli Branch	Secured loans	\$450,000	107.12.12-108.01.11	0.98%	\$450,000	Land & Buildings	
HUA NAN BANK – Zhongli Branch	Credit loans	50,000	107.12.12-108.01.12	0.99%	350,000		
LAND BANK OF TAIWAN – Zhongli Branch	Credit loans	100,000	107.11.30-108.01.30	0.98%	150,000		
CHANG HWA BANK – Yongchun Branch	Secured loans	200,000	107.11.27-108.01.26	1.05%	300,000	Land & Buildings	
CHANG HWA BANK – Yongchun Branch	Credit loans	-			200,000		
		<u>\$800,000</u>			<u>\$1,450,000</u>		

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16. Statement of Contract Liabilities

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Name	Amount	Note
Sales revenue received in advance		
Zhongxing Shengji Technology Co., Ltd.	\$1,293	
More Standing Enterprise Co., Ltd	1,680	
	<u>\$2,973</u>	

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17. Statement of Accounts Payable

As of December 31, 2018

(In Thousands of New Taiwan Dollars)

Name	Amount	Note
86259631	\$11,500	1. The amount of individual client included in others does not exceed 5% of the account balance.
04282001	8,653	
86276224	8,581	2. Non related parties.
Others	98,458	
Total	<u>\$127,192</u>	

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Grape King Bio Ltd.

18. Statement of Operating Revenues

For the Year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Quantity(Thousand groups)	Amount	Note
Sales revenue			
Health food	4,561	\$1,573,349	
Beverage	887	146,858	
Subcontracting services	2,035	14,633	
Other	-	87,000	
Total operating revenues		<u>\$1,821,840</u>	

19. Statement of Operating Costs

For the Year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Raw materials used		
Beginning balance	\$48,167	
Add: Raw materials purchased	311,980	
Gain from raw material physical taking	269	
Less: Ending balance	(51,275)	
Raw materials scrapped	(862)	
Raw materials sold directly	(1,276)	
Transferred to other accounts	(1,755)	
Other operating costs	(13)	
Direct materials used	<u>305,235</u>	
Supplies used		
Beginning balance	29,833	
Add: Supplies purchased	164,277	
Gain from supplies physical taking	584	
Transferred from other accounts	4,203	
Less: Ending balance	(27,928)	
Supplies sold directly	(137)	
Supplies scrapped	(1,396)	
Transferred to other accounts	(463)	
Supplies used	<u>168,973</u>	
Direct labor	76,877	
Manufacturing overhead (Detailed list 20)	<u>370,020</u>	
Manufacturing cost	921,105	
Semi-finished goods and Work in process		
Beginning balance	153,358	
Add: Semi-finished goods and Work in process purchased	24,023	
Gain from Semi-finished goods physical taking	200	
Transferred from other accounts	62	
Less: Ending balance	(157,567)	
Semi-finished goods and Work in process scrapped	(8,480)	
Transferred from other accounts	(46,783)	
Semi-finished goods sold directly	(32,626)	
Other operating costs	(69)	
Cost of finished goods	<u>853,223</u>	
Add: Beginning balance	92,779	
Finished goods purchased in the current period	9,110	
Other operating costs	12	
Less: Ending balance	(88,947)	
Finished goods scrapped	(5,367)	
Loss from finished goods physical taking	(8)	
Transferred to other accounts	(20,896)	
Cost of goods sold at normal production level	<u>839,906</u>	
Merchandise cost		
Beginning balance	4,335	
Add: Merchandise purchased	26	
Less: Ending balance	(1,472)	
Merchandise scrapped	(22)	
Transferred to other accounts	(2,982)	
Cost of merchandise sold	<u>(115)</u>	
Cost of raw materials sold directly	1,276	
Cost of supplies sold directly	137	
Cost of semi-finished goods sold directly	32,626	
Transferred to other accounts	(1,046)	
Other operating costs	<u>15,094</u>	
Total	<u><u>\$887,878</u></u>	

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Grape King Bio Ltd.

20. Statement of Manufacturing Overhead

For the Year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Depreciation	\$128,037	Expenses included in others does not exceed 5% of the account balance.
Salaries and wages	82,097	
Utilities	43,145	
Repair and maintenance	33,223	
Others	83,518	
Total	<u>\$370,020</u>	

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Grape King Bio Ltd.

21. Statement of Sales and Marketing

For the Year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Advertising	\$182,731	Expenses included in others does not exceed 5% of the account balance.
Salaries and wages	48,488	
Depreciation	18,943	
Others	64,876	
Total	<u>\$315,038</u>	

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Grape King Bio Ltd.

22. Statement of General and Administrative

For the Year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries and wages	\$142,344	Expenses included in others does not exceed 5% of the account balance.
Labor costs	21,293	
Others	89,711	
Total	<u>\$253,348</u>	

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23. Statement of Research and Development

For the Year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries and wages	\$65,669	Expenses included in others does not exceeded 5% of the account balance.
Research experiment fee	41,041	
Commissioned research fee	18,707	
Depreciation	8,392	
Others	32,881	
Total	<u>\$166,690</u>	