

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

GRAPE KING BIO LTD.
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
AS OF JUNE 30, 2017 AND 2016
AND FOR THE SIX-MONTH PERIODS THEN ENDED
(REVIEWED BUT UNAUDITED)

Address: No.402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)
Telephone: 886-3-457-2121

The reader is advised that these consolidated 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.

English Translation of a Report Originally Issued in Chinese
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To: The Board of Directors of
Grape King Bio Ltd.

We have reviewed the accompanying consolidated balance sheets of Grape King Bio Ltd. and subsidiaries as of June 30, 2017 and 2016, the related consolidated statements of comprehensive income for the three-month and six-month periods then ended and the consolidated statements of changes in equity and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. We did not review the financial statements of Pro-partner Inc., a 60%-owned subsidiary of the Company, as of June 30, 2017 and 2016 and for the three-month and six-month periods then ended while they were reviewed by other auditors. Our reviews, insofar as it relates to the financial statements of Pro-partner Inc., are based solely on the reports of the other auditors. As of June 30, 2017 and 2016, total assets of Pro-partner Inc. were NT\$4,344,179 thousand and NT\$4,262,154 thousand, representing 44.71% and 46.05% of the consolidated total assets of the Company, respectively, while the operating revenues for the three-month periods then ended were NT\$2,025,387 thousand and NT\$2,172,618 thousand, representing 86.06% and 92.43%, and for the six-month periods then ended were NT\$3,867,368 thousand and NT\$4,026,221 thousand, representing 88.76% and 92.35%, of the consolidated operating revenues, respectively.

We conducted our reviews in accordance with the Taiwan R.O.C.'s Statements of Auditing Standards No. 36, "Review of Financial Statements". A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

(To be continued)

(Continued)

Based on our reviews and the reports of other auditors, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, “Interim Financial Reporting” which are recognized by Financial Supervisory Commission of the Republic of China.



ERNST & YOUNG
August 10th, 2017
Taipei, Taiwan,
Republic of China

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED BALANCE SHEETS

As of June 30, 2017, December 31, 2016 and June 30, 2016 (June 30, 2017 and 2016 are Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Assets | Notes | As of | | | Liabilities and Stockholders' Equity | Notes | As of | | |
|--|------------|--------------------|----------------------|--------------------|--|-----------|--------------------|----------------------|--------------------|
| | | June 30, 2017 | December 31, 2016 | June 30, 2016 | | | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Current assets | | | | | Current liabilities | | | | |
| Cash and cash equivalents | 4,6(1) | \$1,592,244 | \$1,899,302 | \$1,383,314 | Short-term debt | 4,6(12),8 | \$100,000 | \$50,000 | \$- |
| Financial assets at fair value through profit or loss, current | 4,6(2) | 570,397 | 346,062 | 1,002,162 | Notes payable | | 1,348 | 11,335 | \$8,737 |
| Debt investments without active market | 4,6(4) | 42,730 | 43,385 | 29,990 | Accounts payable | | 258,829 | 186,737 | 236,884 |
| Notes receivable, net | 4,6(5) | 6,210 | 5,098 | 13,493 | Other payables | 4,6(13) | 2,519,182 | 1,686,213 | 2,204,042 |
| Accounts receivable, net | 4,6(6) | 231,969 | 196,383 | 97,100 | Other payables-related parties | 7 | 14,097 | 33,079 | 15,027 |
| Accounts receivable-related parties, net | 4,6(6),7 | - | 2,907 | 12,416 | Current tax liabilities | 4,6(25) | 249,764 | 288,031 | 231,630 |
| Other receivables | 4 | 2,063 | 4,056 | 2,714 | Other current liabilities | 6(9)(14) | 153,159 | 174,668 | 257,911 |
| Inventories, net | 4,6(7) | 492,987 | 434,990 | 464,550 | Current portion of long-term loans payable | 4,6(16),8 | 51,546 | 43,087 | 32,493 |
| Prepayments | 4,6(8) | 42,746 | 32,645 | 33,892 | Total current liabilities | | 3,347,925 | 2,473,150 | 2,986,724 |
| Other current assets | 4,6(8) | 3,774 | 5,736 | 10,526 | Non-current liabilities | | | | |
| Total current assets | | 2,985,120 | 2,970,564 | 3,050,157 | Bonds payable | 4,6(15) | 170,619 | 168,981 | 939,837 |
| Non-current assets | | | | | Long-term debt | 4,6(16),8 | 821,152 | 943,523 | 1,152,281 |
| Financial assets at fair value through profit or loss, non current | 4,6(2)(15) | 121 | 87 | 2,432 | Deferred tax liabilities | 4,6(25) | 69,272 | 69,272 | 69,155 |
| Financial assets measured at cost | 4,6(3) | 28,028 | 28,028 | 28,028 | Other liabilities | 4,6(17) | 96,655 | 111,881 | 125,703 |
| Debt investments without active market | 4,6(4),8 | 4,460 | 4,460 | 4,460 | Total non-current liabilities | | 1,157,698 | 1,293,657 | 2,286,976 |
| Property, plant and equipment | 4,6(9),8 | 6,224,748 | 6,084,377 | 5,755,259 | Total liabilities | | 4,505,623 | 3,766,807 | 5,273,700 |
| Investment properties | 4,6(10) | 185,985 | 185,985 | 185,985 | Equity attributable to the parent company | 6(20) | | | |
| Intangible assets | 4,6(11) | 24,099 | 26,635 | 28,284 | Capital | | | | |
| Deferred tax assets | 4,6(25) | 5,135 | 22,381 | 6,453 | Common stock | | 1,352,142 | 1,352,142 | 1,303,946 |
| Other assets-others | 4,6(8) | 259,442 | 227,239 | 193,887 | Additional paid-in capital | 6(15)(20) | 799,221 | 799,221 | 74,074 |
| Total non-current assets | | 6,732,018 | 6,579,192 | 6,204,788 | Retained earnings | 6(20) | | | |
| | | | | | Legal reserve | | 675,213 | 545,536 | 545,536 |
| | | | | | Special reserve | | 74,671 | 74,671 | 74,671 |
| | | | | | Unappropriated earnings | | 1,650,730 | 2,062,646 | 1,343,959 |
| | | | | | Other components of equity | | (40,918) | (26,204) | (8,554) |
| | | | | | Treasury stock | 6(20) | (91,062) | - | - |
| | | | | | Non-controlling interests | 6(20)(27) | 791,518 | 974,937 | 647,613 |
| | | | | | Total equity | | 5,211,515 | 5,782,949 | 3,981,245 |
| Total assets | | \$9,717,138 | \$9,549,756 | \$9,254,945 | Total liabilities and equity | | \$9,717,138 | \$9,549,756 | \$9,254,945 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month and six-month periods ended June 30, 2017 and 2016 (Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| | Notes | For the three-month period ended June 30, | | For the six-month period ended June 30, | |
|--|-----------|---|-------------|---|-------------|
| | | 2017 | 2016 | 2017 | 2016 |
| Operating revenues | 4,6(21),7 | \$2,353,407 | \$2,350,667 | \$4,357,336 | \$4,359,641 |
| Operating costs | 7 | (372,896) | (262,402) | (637,469) | (497,786) |
| Gross profit | | 1,980,511 | 2,088,265 | 3,719,867 | 3,861,855 |
| Operating expenses | 7 | | | | |
| Sales and marketing | | (1,318,097) | (1,374,384) | (2,476,664) | (2,517,991) |
| General and administrative | | (120,356) | (132,555) | (217,732) | (252,531) |
| Research and development | | (38,408) | (28,281) | (74,753) | (58,219) |
| Operating expenses total | | (1,476,861) | (1,535,220) | (2,769,149) | (2,828,741) |
| Operating income | | 503,650 | 553,045 | 950,718 | 1,033,114 |
| Non-operating income and expenses | | | | | |
| Other income | 6(23),7 | 108,181 | 26,685 | 128,388 | 54,156 |
| Other gain or losses | 6(23) | (3,959) | 383 | (5,306) | 368 |
| Finance costs | 6(23) | (4,602) | (9,509) | (9,016) | (20,088) |
| Non-operating income and expenses total | | 99,620 | 17,559 | 114,066 | 34,436 |
| Income from continuing operations before income tax | | 603,270 | 570,604 | 1,064,784 | 1,067,550 |
| Income tax expense | 4,6(25) | (163,437) | (141,596) | (243,441) | (226,156) |
| Net income | | 439,833 | 429,008 | 821,343 | 841,394 |
| Other comprehensive income (loss) | 6(24) | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | | 9,213 | (7,576) | (14,714) | (8,949) |
| Income tax related to components of other comprehensive income | | - | - | - | - |
| Total other comprehensive income (loss), net of tax | | 9,213 | (7,576) | (14,714) | (8,949) |
| Total comprehensive income | | \$449,046 | \$421,432 | \$806,629 | \$832,445 |
| Net income (loss) attributable to: | | | | | |
| Stockholders of the parent | | \$321,056 | \$295,432 | \$579,881 | \$578,601 |
| Non-controlling interests | 6(27) | 118,777 | 133,576 | 241,462 | 262,793 |
| | | \$439,833 | \$429,008 | \$821,343 | \$841,394 |
| Total comprehensive income (loss) attributable to: | | | | | |
| Stockholders of the parent | | \$330,269 | \$287,856 | \$565,167 | \$569,652 |
| Non-controlling interests | 6(27) | 118,777 | 133,576 | 241,462 | 262,793 |
| | | \$449,046 | \$421,432 | \$806,629 | \$832,445 |
| Earnings per share-basic (in NTS) | 6(26) | \$2.38 | \$2.27 | \$4.30 | \$4.44 |
| Earnings per share-diluted (in NTS) | 6(26) | \$2.37 | \$2.19 | \$4.26 | \$4.30 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30, 2017 and 2016 (Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

| | Retained Earnings | | | | | Other Components of Equity | | Total | Non-Controlling | |
|---|-------------------|----------------------------|---------------|-----------------|-------------------------|---|----------------|-------------|-----------------|--------------|
| | Common Stock | Additional Paid-in Capital | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of Foreign Operations | Treasury stock | | Interests | Total Equity |
| Balance as of January 1, 2016 | \$1,303,001 | \$59,567 | \$440,371 | \$74,671 | \$1,600,204 | \$395 | \$- | \$3,478,209 | \$741,347 | \$4,219,556 |
| Appropriations of prior year's earnings | | | | | | | | | | |
| Legal reserve | | | 105,165 | | (105,165) | | | - | - | - |
| Cash dividends | | | | | (729,681) | | | (729,681) | (356,527) | (1,086,208) |
| Changes in capital surplus | | | | | | | | | | |
| Shares from bonds converted | 945 | 14,507 | | | | | | 15,452 | - | 15,452 |
| Net income for the six-month period ended June 30, 2016 | | | | | 578,601 | | | 578,601 | 262,793 | 841,394 |
| Other comprehensive income, net of tax for the six-month period ended June 30, 2016 | | | | | | (8,949) | | (8,949) | - | (8,949) |
| Total comprehensive income | - | - | - | - | 578,601 | (8,949) | - | 569,652 | 262,793 | 832,445 |
| Balance as of June 30, 2016 | \$1,303,946 | \$74,074 | \$545,536 | \$74,671 | \$1,343,959 | \$(8,554) | \$- | \$3,333,632 | \$647,613 | \$3,981,245 |
| Balance as of January 1, 2017 | \$1,352,142 | \$799,221 | \$545,536 | \$74,671 | \$2,062,646 | \$(26,204) | \$- | \$4,808,012 | \$974,937 | \$5,782,949 |
| Appropriations of prior year's earnings | | | | | | | | | | |
| Legal reserve | | | 129,677 | | (129,677) | | | - | - | - |
| Cash dividends | | | | | (862,120) | | | (862,120) | (424,881) | (1,287,001) |
| Net income for the six-month period ended June 30, 2017 | | | | | 579,881 | | | 579,881 | 241,462 | 821,343 |
| Other comprehensive income, net of tax for the six-month period ended June 30, 2017 | | | | | | (14,714) | | (14,714) | - | (14,714) |
| Total comprehensive income | - | - | - | - | 579,881 | (14,714) | - | 565,167 | 241,462 | 806,629 |
| Treasury stock purchased | | | | | | | (91,062) | (91,062) | | (91,062) |
| Balance as of June 30, 2017 | \$1,352,142 | \$799,221 | \$675,213 | \$74,671 | \$1,650,730 | \$(40,918) | \$(91,062) | \$4,419,997 | \$791,518 | \$5,211,515 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2017 and 2016 (Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

| | For the six-month period ended June 30, | | | For the six-month period ended June 30, | |
|---|---|-------------|--|---|-------------|
| | 2017 | 2016 | | 2017 | 2016 |
| Cash flows from operating activities: | | | Cash flows from investing activities: | | |
| Net income before tax | \$1,064,784 | \$1,067,550 | Acquisition of debt investments without active market | - | (27,595) |
| Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities: | | | Disposal of debt investments without active market | 655 | - |
| Depreciation | 106,849 | 100,267 | Acquisition of property, plant and equipment | (374,262) | (399,301) |
| Amortization | 3,225 | 1,232 | Disposal of property, plant and equipment | - | 112 |
| Bad debt expenses | 53 | 101 | Decrease (increase) in refundable deposits | 1,618 | (5,177) |
| Net gain of financial assets at fair value | (471) | (1,347) | Acquisition of intangible assets | (689) | (16,321) |
| Interest expense | 9,016 | 20,088 | Other non-financial assets | (2,602) | 69 |
| Interest income | (2,403) | (1,882) | Net cash provided by (used in) investing activities | (375,280) | (448,213) |
| Loss from disposal of property, plant and equipment | 715 | 828 | Cash flows from financing activities: | | |
| Changes in operating assets and liabilities: | | | Increase (decrease) in short-term loans | 50,000 | - |
| Financial asset held for trading | (223,899) | (279,311) | Decrease in long-term loans | (113,912) | (308,560) |
| Notes receivable | (1,112) | (5,181) | Cash dividends | (424,881) | (356,527) |
| Accounts receivable | (35,639) | (22,773) | Guarantee deposit received | 1,112 | 15,212 |
| Accounts receivable-related parties | 2,907 | 304 | Cost of Treasury stock | (91,062) | - |
| Other receivables | 1,975 | (1,072) | Net cash provided by (used in) financing activities | (578,743) | (649,875) |
| Inventories | (57,997) | (105,076) | Effect of exchange rate changes on cash and cash equivalents | (6,333) | 1,410 |
| Prepayments | (7,871) | (8,085) | Net increase (decrease) in cash and cash equivalents | (307,058) | (49,246) |
| Other current assets | 1,962 | (107) | Cash and cash equivalents at beginning of period | 1,899,302 | 1,432,560 |
| Notes payable | (9,987) | 7,963 | Cash and cash equivalents at end of period | \$1,592,244 | \$1,383,314 |
| Accounts payable | 72,092 | 84,807 | | | |
| Other payables | 20,725 | 223,109 | | | |
| Other payables-related parties | - | (12,320) | | | |
| Advance receipts | 47,948 | - | | | |
| Other current liabilities | (59,427) | 189,331 | | | |
| Accrued pension liabilities | (10,790) | (14,240) | | | |
| Cash generated from operations | 922,655 | 1,244,186 | | | |
| Interest received | 2,422 | 1,928 | | | |
| Interest paid | (7,317) | (11,064) | | | |
| Income tax paid | (264,462) | (187,618) | | | |
| Net cash provided by (used in) operating activities | 653,298 | 1,047,432 | | | |

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

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(REVIEWED BUT UNAUDITED)

(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 consolidated financial statements of the Company and subsidiaries ("the Group") for the six-month periods ended June 30, 2017 and 2016 were authorized for issuance at August 10, 2017 by the Board of Directors.

3. Newly issued or revised standards and interpretations

- (1) The Group 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 January 1, 2017.
- (2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below.
 - (a) IFRS 15 "Revenue from Contracts with Customers"

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9“Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

The new standard is effective for annual periods beginning on or after January 1, 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after January 1, 2018.

- (c) 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 this amendment has been postponed indefinitely, but early adoption is allowed.

- (d) IAS 12“Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after January 1, 2017.

- (e) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after January 1, 2017.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(f) IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendment is effective for annual periods beginning on or after January 1, 2018.

(g) IFRS 2 “Shared-Based Payment” — Amendments to IFRS 2

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognised in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2018.

(h) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1,

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(j) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

IAS 28“Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) IFRIC 22 “*Foreign Currency Transactions and Advance Consideration*”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the potential impact of the aforementioned standards and interpretations listed to the Company’s financial position and performance, and the related impact will be disclosed when the evaluation is completed.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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

(a) IFRS 16 "Leases"

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(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. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) 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:

- (i) Estimates of future cash flows;
- (ii) 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
- (iii) 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. IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (1), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the six-month ended June 30, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as recognized by the FSC.

Except the following 4(3) ~ 4(6), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2016.

(2) Basis of preparation

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

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2016. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2016.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

The consolidated entities are listed as follows:

| Investor | Subsidiary | Main businesses | Percentage of ownership (%) | | |
|-------------|--|----------------------------|-----------------------------|------------------|------------------|
| | | | As of | | |
| | | | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| The Company | Pro-partner Inc. (Pro-partner) (NOTE 2) | Sales | 60% | 60% | 60% |
| The Company | GRAPE KING INTERNATIONAL INVESTMENT INC. (GKBVI) | Investment | 100% | 100% | 100% |
| The Company | Rivershine Ltd. (Rivershine) | Sales | 100% | 100% | 100% |
| GKBVI | Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King) | Manufacturing and Sales | 100% | 100% | 100% |
| GKBVI | Shanghai Rivershine Ltd. (Shanghai Rivershine) | Sales | 100% | - | - |

NOTE 1 : Shanghai Rivershine Ltd. was established in June 2017 as a wholly-owned subsidiary of GKBVI.

NOTE 2 : The financial statements of Pro-partner Inc. are based solely on the reports of the other auditors. As of June 30, 2017 and 2016, total assets of Pro-partner Inc. were NT\$4,344,179 thousand and NT\$4,262,154 thousand, and the operating revenues for the three-month and six-month periods then ended were NT\$2,025,387 thousand, NT\$2,172,618 thousand, NT\$3,867,368 thousand and NT\$4,026,221 thousand, respectively.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(4) Post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Treasury stock

Treasury stock shall be measured at cost when acquired and recorded as a deduction against equity. Any price difference resulted from treasury stock transactions shall be recognized under the caption of equity.

(6) Income taxes

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, 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.

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the six-month period ended June 30, 2017 as those applied in the Company's consolidated financial statements for the year ended December 31, 2016. For significant accounting judgments, estimates and assumptions, please refer to Note 5 to the Company's consolidated financial statements for the year ended December 31, 2016.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(3) Financial assets measured at cost

| | As of | | |
|-----------------------------|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Stock of unlisted companies | \$28,028 | \$28,028 | \$28,028 |

| | As of | | |
|-------------|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Current | \$- | \$- | \$- |
| Non-current | 28,028 | 28,028 | 28,028 |
| Total | \$28,028 | \$28,028 | \$28,028 |

a. In 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. The above investments in equity instruments of unlisted entities were measured at cost as the fair value of these investments was not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements be 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.

c. Financial assets measured at cost were not pledged.

(4) Bond investments with no active market

| | As of | | |
|---------------|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Time deposits | \$47,190 | \$47,845 | \$34,450 |
| Current | \$42,730 | \$43,385 | \$29,990 |
| Non-current | 4,460 | 4,460 | 4,460 |
| Total | \$47,190 | \$47,845 | \$34,450 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

For bond investments with no active market pledged as collateral, please refer to Note 8 to the consolidated financial statements for details.

(5) Notes receivables

| | As of | | |
|---|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Notes receivables arising from operating activities | \$6,210 | \$5,098 | \$13,493 |
| Less: allowance for doubtful accounts | - | - | - |
| Total | \$6,210 | \$5,098 | \$13,493 |

Notes receivables were not pledged.

(6) Trade receivables

| | As of | | |
|--|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Trade receivables | \$235,450 | \$199,811 | \$100,574 |
| Less: allowance for doubtful accounts | (3,481) | (3,428) | (3,474) |
| Subtotal | 231,969 | 196,383 | 97,100 |
| Trade receivables from related parties | - | 2,907 | 12,416 |
| Less: allowance for doubtful accounts | - | - | - |
| Subtotal | - | 2,907 | 12,416 |
| Total | \$231,969 | \$199,290 | \$109,516 |

| | As of | | |
|--|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Receivables overdue and fully reserved | \$- | \$- | \$36,363 |
| Less: allowance for doubtful accounts | - | - | (36,363) |
| Net | \$- | \$- | \$- |

Accounts receivable which were expected to be outstanding for over one year have been recast for overdue receivable. Please refer to Note 6(8).

Trade receivables were not pledged.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Trade receivables are generally on the term of 30-135 days. The movements in the provision for impairment of trade receivables and trade receivables from related parties are as follows:

| | Individually impaired | Collectively impaired | Total |
|-----------------------|--------------------------|--------------------------|----------|
| As of January 1, 2017 | \$- | \$3,428 | \$3,428 |
| Charge/(reversal) | - | 53 | 53 |
| Exchange differences | - | - | - |
| As of June 30, 2017 | \$- | \$3,481 | \$3,481 |
| As of January 1, 2016 | \$37,488 | \$3,373 | \$40,861 |
| Charge/(reversal) | - | 101 | 101 |
| Exchange differences | (1,125) | - | (1,125) |
| As of June 30, 2016 | \$36,363 | \$3,474 | \$39,837 |

Impairment loss individually determined for the six-month period ended June 30, 2016 was due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Group did not hold any collateral for such trade receivables.

Aging analysis of trade receivables that were past due but not impaired was as follows:

| As at | Neither past due nor impaired | Past due but not impaired: | | | Total |
|---------------|----------------------------------|----------------------------|------------|-----------|-----------|
| | | <=90 days | 90~180days | >180 days | |
| Jun. 30, 2017 | \$214,738 | \$16,635 | \$585 | \$11 | \$231,969 |
| Dec. 31, 2016 | 197,413 | 1,731 | 135 | 11 | 199,290 |
| Jun. 30, 2016 | 107,366 | 2,133 | 5 | 12 | 109,516 |

(7) Inventories

| | As of | | |
|---------------|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Raw materials | \$104,801 | \$93,293 | \$68,520 |
| Supplies | 33,098 | 22,953 | 21,037 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| | | | |
|---|------------------|------------------|------------------|
| Semi-finished goods and Work in process | 169,679 | 164,678 | 152,467 |
| Finished goods | 180,112 | 154,041 | 222,477 |
| Merchandises | 5,297 | 25 | 49 |
| Total | <u>\$492,987</u> | <u>\$434,990</u> | <u>\$464,550</u> |

- a. The cost of inventories recognized in expenses in amount of \$372,896 thousand, \$262,402 thousand, \$637,469 thousand and \$497,786 thousand for the three-month and six-month periods ended June 30, 2017 and 2016, respectively, including write-down of inventories, was as follows:

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|----------------------------------|--|----------------|--|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Inventory loss on retirement | \$5,535 | \$1,865 | \$7,017 | \$2,099 |
| Loss (gain) from physical taking | (42) | (43) | (452) | (72) |
| Total | <u>\$5,493</u> | <u>\$1,822</u> | <u>\$6,565</u> | <u>\$2,027</u> |

- b. No inventories were pledged.

(8) Prepayments and Other Assets

| | As of | | |
|------------------------------------|------------------|------------------|------------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Prepayment for purchase | \$23,896 | \$11,530 | \$17,188 |
| Prepaid rental on land | 46,086 | 48,315 | 51,629 |
| Prepayment for equipment | 163,269 | 129,820 | 99,989 |
| Office Supplies | 5,932 | 7,809 | 5,171 |
| Other prepaid expenses | 12,208 | 13,137 | 11,295 |
| Other current assets | 4,484 | 5,905 | 10,764 |
| Refundable deposits | 27,287 | 28,905 | 22,554 |
| Overdue receivable | 2,244 | 2,244 | 36,363 |
| Less: allowance for doubtful debts | (2,244) | (2,244) | (36,363) |
| Other noncurrent assets-other | 22,800 | 20,199 | 19,715 |
| Total | <u>\$305,962</u> | <u>\$265,620</u> | <u>\$238,305</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| | | | |
|--------------------|------------------|------------------|------------------|
| Current portion | \$46,520 | \$38,381 | \$44,418 |
| Noncurrent portion | 259,442 | 227,239 | 193,887 |
| Total | <u>\$305,962</u> | <u>\$265,620</u> | <u>\$238,305</u> |

- a. The amount recognized under the caption of “prepaid rental on land” was the land-transferring fees prepaid to the Ministry of Land and Resource of the People's Republic of China for acquiring the right to use the land in Shanghai Songjiang Industrial Zone. Shanghai Grape King leased the land for construction of their factories with the lease term from October 1997 to March 2044. All fees were paid in full when the lease agreement was entered into and are amortized over the lease term.
- b. Overdue receivables were those expected not to be collected within a year and the Group has provided a full allowance for doubtful debts against them. The Company held a collateral for other receivables of NT\$ 2,244 thousand.

(9) Property, plant and equipment

| | Land | | Building | Machinery | Vehicle | Leasehold | Other | Construction | Total |
|---------------------|--------------------|----------------|--------------------|--------------------|-----------------|-----------------|------------------|------------------|--------------------|
| | Land | Improvement | | | | improvement | facilities | in progress | |
| Cost: | | | | | | | | | |
| As of Jan. 1, 2017 | \$3,071,692 | \$940 | \$3,098,131 | \$1,123,652 | \$12,275 | \$7,090 | \$322,598 | \$52,047 | \$7,688,425 |
| Additions | - | 120 | 10,858 | 9,824 | 253 | 27,225 | 18,729 | 181,727 | 248,736 |
| Disposals | (14,680) | - | (380) | (1,134) | - | - | (1,596) | - | (17,790) |
| Transfers | - | 914 | 19,302 | 35,905 | - | - | (16,935) | (16,925) | 22,261 |
| Ex. Diff. | - | - | (10,340) | (6,327) | (91) | (73) | (532) | - | (17,363) |
| As of Jun. 30, 2017 | <u>\$3,057,012</u> | <u>\$1,974</u> | <u>\$3,117,571</u> | <u>\$1,161,920</u> | <u>\$12,437</u> | <u>\$34,242</u> | <u>\$322,264</u> | <u>\$216,849</u> | <u>\$7,924,269</u> |
| As of Jan. 1, 2016 | \$3,060,144 | \$1,926 | \$2,115,913 | \$1,096,275 | \$10,349 | \$7,300 | \$275,085 | \$478,646 | \$7,045,638 |
| Additions | - | - | 9,077 | 4,291 | 275 | - | 4,845 | 55,752 | 74,240 |
| Disposals | - | (986) | (319) | (4,006) | (564) | - | (3,481) | - | (9,356) |
| Transfers | 4,022 | - | 4,905 | 21,090 | - | - | - | 164,741 | 194,758 |
| Ex. Diff. | - | - | (11,601) | (7,059) | (91) | (83) | (554) | - | (19,388) |
| As of Jun. 30, 2016 | <u>\$3,064,166</u> | <u>\$940</u> | <u>\$2,117,975</u> | <u>\$1,110,591</u> | <u>\$9,969</u> | <u>\$7,217</u> | <u>\$275,895</u> | <u>\$699,139</u> | <u>\$7,285,892</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Accumulated

Depreciation:

| | | | | | | | | | |
|---------------------|-----|-------|-----------|-----------|---------|---------|-----------|-----|-------------|
| As of Jan. 1, 2017 | \$- | \$427 | \$509,156 | \$865,226 | \$7,330 | \$5,470 | \$216,439 | \$- | \$1,604,048 |
| Depreciation | - | 117 | 53,912 | 32,809 | 656 | 1,763 | 17,592 | - | 106,849 |
| Disposals | - | - | (150) | (649) | - | - | (1,596) | - | (2,395) |
| Transfers | - | - | - | - | - | - | - | - | - |
| Ex. Diff. | - | - | (2,778) | (5,652) | (79) | (30) | (442) | - | (8,981) |
| As of Jun. 30, 2017 | \$- | \$544 | \$560,140 | \$891,734 | \$7,907 | \$7,203 | \$231,993 | \$- | \$1,699,521 |

| | | | | | | | | | |
|---------------------|-----|---------|-----------|-----------|---------|---------|-----------|-----|-------------|
| As of Jan. 1, 2016 | \$- | \$1,270 | \$438,810 | \$813,202 | \$7,236 | \$3,761 | \$184,657 | \$- | \$1,448,936 |
| Depreciation | - | 72 | 31,046 | 48,368 | 398 | 904 | 19,479 | - | 100,267 |
| Disposals | - | (986) | (319) | (3,677) | (508) | - | (2,926) | - | (8,416) |
| Transfers | - | - | - | - | - | - | - | - | - |
| Ex. Diff. | - | - | (3,073) | (6,432) | (93) | (33) | (523) | - | (10,154) |
| As of Jun. 30, 2016 | \$- | \$356 | \$466,464 | \$851,461 | \$7,033 | \$4,632 | \$200,687 | \$- | \$1,530,633 |

Net carrying

amount as of:

| | | | | | | | | | |
|---------------|-------------|---------|-------------|-----------|---------|----------|-----------|-----------|-------------|
| Jun. 30, 2017 | \$3,057,012 | \$1,430 | \$2,557,431 | \$270,186 | \$4,530 | \$27,039 | \$90,271 | \$216,849 | \$6,224,748 |
| Dec. 31, 2016 | \$3,071,692 | \$513 | \$2,588,975 | \$258,426 | \$4,945 | \$1,620 | \$106,159 | \$52,047 | \$6,084,377 |
| Jun. 30, 2016 | \$3,064,166 | \$584 | \$1,651,511 | \$259,130 | \$2,936 | \$2,585 | \$75,208 | \$699,139 | \$5,755,259 |

- 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 | Estimated economic lives |
|---|--------------------------|
| Main plant | 30~60 years |
| Air conditioning, electrical and wastewater treatment equipment | 8~25 years |
| Decoration | 5~30 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

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Act. The expropriation was executed in three phases. The first and second phases, including relocation and dismantlement, have been completed during the second quarter of 2017 and the Company was entitled to a compensation of NT\$101,677 thousand. The net amount of the compensation and the carrying cost amounting NT\$14,680 thousand of land and land improvement de-recognised was NT\$86,997 thousand and recorded under the caption of other incomes. Please refer to Note 6(23) for more details. For the third phase, the transfer of ownership was not completed as of June 30, 2017.

(10) Investment property, net

| | Land | Building | Investment Properties under construction | Total | Accumulated depreciation | Net |
|------------------------------------|-----------|----------|---|-----------|-----------------------------|-----------|
| As of Jan. 1, and Jun. 30, 2017 | \$185,985 | \$- | \$- | \$185,985 | \$- | \$185,985 |
| As of Jan. 1, and Jun. 30, 2016 | \$185,985 | \$- | \$- | \$185,985 | \$- | \$185,985 |

(a) No investment property was pledged.

(b) The fair value of investment properties held by the Group as at June 30, 2017 and December 31, 2016 were similar. For more details on fair value measurements, please refer to Note 6(10) of the consolidated financial statements for the year ended December 31, 2016.

(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.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(11) Intangible

| | Computer software | Trademark | Total |
|------------------------------|-------------------|-----------|----------|
| Cost: | | | |
| As of Jan. 1, 2017 | \$16,627 | \$15,049 | \$31,676 |
| Addition-acquired separately | 689 | - | 689 |
| As of Jun. 30, 2017 | \$17,316 | \$15,049 | \$32,365 |
| As of Jan. 1, 2016 | \$13,955 | \$- | \$13,955 |
| Addition-acquired separately | 1,272 | 15,049 | 16,321 |
| As of Jun. 30, 2016 | \$15,227 | \$15,049 | \$30,276 |
| Accumulated Amortization: | | | |
| As of Jan. 1, 2017 | \$2,751 | \$2,290 | \$5,041 |
| Amortization | 1,262 | 1,963 | 3,225 |
| As of Jun. 30, 2017 | \$4,013 | \$4,253 | \$8,266 |
| As of Jan. 1, 2016 | \$760 | \$- | \$760 |
| Amortization | 905 | 327 | 1,232 |
| As of Jun. 30, 2016 | \$1,665 | \$327 | \$1,992 |
| Net carrying amount as at: | | | |
| Jun. 30, 2017 | \$13,303 | \$10,796 | \$24,099 |
| Dec. 31, 2016 | \$13,876 | \$12,759 | \$26,635 |
| Jun. 30, 2016 | \$13,562 | \$14,722 | \$28,284 |

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

| | For three-month period ended Jun. 30, | | For six-month period ended Jun. 30, | |
|---------------------------------|--|-------|--|---------|
| | 2017 | 2016 | 2017 | 2016 |
| General administrative expenses | \$1,633 | \$785 | \$3,225 | \$1,232 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(12) Short-term borrowings

| | Interest Rates (%) | As of | | |
|--------------------|--------------------|---------------|---------------|---------------|
| | | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Secured bank loans | 0.98%~0.99% | \$100,000 | \$50,000 | \$- |

The Group's unused short-term lines of credits amounted to NT\$2,260,112 thousand, NT\$1,526,200 thousand, and NT\$1,471,899 thousand, as of June 30, 2017, December 31, 2016, and June 30, 2016, respectively.

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

(13) Other Payables

| | As of | | |
|------------------------------------|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Bonus to direct sellers | \$762,556 | \$879,100 | \$757,238 |
| Salaries and incentive bonus | 239,023 | 119,247 | 212,260 |
| Bonus to employees | 281,315 | 237,155 | 220,463 |
| Bonus to directors and supervisors | 45,424 | 30,830 | 39,562 |
| Other accrued expenses | 125,470 | 131,238 | 126,843 |
| Payables on equipment | 134,222 | 204,039 | 62,305 |
| Accrued VAT payable | 55,295 | 74,581 | 53,205 |
| Dividend payable | 862,120 | - | 729,681 |
| Others | 13,757 | 10,023 | 2,485 |
| Total | \$2,519,182 | \$1,686,213 | \$2,204,042 |

(14) Other current liabilities

| | As of | | |
|---|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Sales revenue received in advance | \$95,409 | \$42,309 | \$125,882 |
| Unearned rent | 4,949 | 5,478 | 6,766 |
| Provisions for sales returns and allowances | 2,920 | 7,500 | - |
| Other current liabilities-other | 49,881 | 119,381 | 125,263 |
| Total | \$153,159 | \$174,668 | \$257,911 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Provisions for sales returns and allowances

| | <u>Sales returns and allowances</u> |
|-----------------------|-------------------------------------|
| As of January 1, 2017 | \$7,500 |
| Write off | (4,580) |
| As of June 30, 2017 | <u>\$2,920</u> |
| | |
| As of June 30, 2017 | |
| Current | \$2,920 |
| Noncurrent | - |
| Total | <u>\$2,920</u> |

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 June 30, 2017, the actual sale return totaled to NT\$4,580 thousand. Please refer to Note 9(6) to the consolidated financial statements for details.

(15) Bonds payable

| | <u>As of</u> | | |
|----------------------------|----------------------|----------------------|----------------------|
| | <u>Jun. 30, 2017</u> | <u>Dec. 31, 2016</u> | <u>Jun. 30, 2016</u> |
| Domestic convertible bonds | \$170,619 | \$168,981 | \$939,837 |
| Less: current portion | - | - | - |
| Net | <u>\$170,619</u> | <u>\$168,981</u> | <u>\$939,837</u> |

a. Domestic convertible bonds payable

| | <u>As of</u> | | |
|--|----------------------|----------------------|----------------------|
| | <u>Jun. 30, 2017</u> | <u>Dec. 31, 2016</u> | <u>Jun. 30, 2016</u> |
| Liability component: | | | |
| Principal amount | \$173,200 | \$173,200 | \$972,800 |
| Interest Payable Refund from Bond Conversion | 1,302 | 1,302 | 7,315 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| | | | |
|---------------------------------------|-----------|-----------|-----------|
| Premiums (discounts) on bonds payable | (3,883) | (5,521) | (40,278) |
| Subtotal | \$170,619 | 168,981 | \$939,837 |
| Less: current portion | - | - | - |
| Net | \$170,619 | \$168,981 | \$939,837 |
| Embedded derivative—Redemption | \$121 | \$87 | \$2,432 |
| Equity component—Convertible | \$7,842 | \$7,842 | \$44,041 |

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(23) 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

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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.

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:

①The 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.

②The 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. There were NT\$826,800 thousand, NT\$826,800 thousand, and NT\$27,200 thousand bonds payable converted into shares as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(16) Long-term loan

| Lenders | As of Jun. 30, 2017 | Interest Rate (%) | Maturity and Terms |
|--|---------------------------|----------------------|---|
| Secured Long-Term Loan from ChangHwa Commercial Bank | \$397,667 | 1.44% | Effective May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due monthly. |
| Secured Long-Term Loan from Taiwan Cooperative Bank | 475,031 | 1.44% | Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly. |
| Subtotal | 872,698 | | |
| Less: current portion | (51,546) | | |
| Total | <u>\$821,152</u> | | |

| Lenders | As of Dec. 31, 2016 | Interest Rate (%) | Maturity and Terms |
|--|---------------------------|----------------------|---|
| Secured Long-Term Loan from ChangHwa Commercial Bank | \$500,000 | 1.44% | Effective May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due monthly. |
| Secured Long-Term Loan from Taiwan Cooperative Bank | 486,610 | 1.44% | Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly. |
| Secured Long-Term Loan from Mega International Commercial Bank | - | -% | Note 1. |
| Subtotal | 986,610 | | |
| Less: current portion | (43,087) | | |
| Total | <u>\$943,523</u> | | |

Note 1: The Company has fully repaid the secured loan in July 2016.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| Lenders | As of June 30, 2016 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---------------------------|----------------------|--|
| Secured Long-Term Loan from ChangHwa Commercial Bank | \$600,000 | 1.51% | Effective May 27, 2015 to May 27, 2030. Repayment with interest will start May 27, 2017 based on monthly annuity. |
| Secured Long-Term Loan from Taiwan Cooperative Bank | 498,106 | 1.51% | Effective May 27, 2015 to May 27, 2035. Repayment with interest has started May 27, 2016 based on monthly annuity. |
| Secured Long-Term Loan from Mega International Commercial Bank (Note 1) | 86,668 | 1.63% | The term is from May 27, 2015 to May 27, 2030. It is repaid in a quarterly basis. Due to the Company's early repayment of \$100,000 thousand on June 23, 2016, the quarterly instalment repayment is reduced to \$1,547 thousand and the last repayment in \$1,583 thousand. |
| Subtotal | <u>1,184,774</u> | | |
| Less: current portion | <u>(32,493)</u> | | |
| Total | <u>\$1,152,281</u> | | |

Certain land and buildings were pledged as collaterals for secured bank loans. Please refer to Note 8 for details.

(17) Other noncurrent liabilities

| | As of | | |
|------------------------------------|-----------------|------------------|------------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Other long-term payables | \$16,306 | \$17,203 | \$17,401 |
| Accrued pension liabilities | 1,731 | 12,522 | 21,241 |
| Guarantee deposit received | 21,981 | 20,869 | 19,709 |
| Other noncurrent liabilities-other | 56,637 | 61,287 | 67,352 |
| Total | <u>\$96,655</u> | <u>\$111,881</u> | <u>\$125,703</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(18) Operating leases

Operating lease commitments – Group as a lessor

Shanghai Grape King has entered into an operating lease agreement in a term from June 2014 to March 2034 with a non-related party. As of June 30, 2017, Shanghai Grape King has received prepaid rents, recorded under the caption of advances received, for a period of eight years and nine months. The movement schedule of prepaid rents is listed as follows:

| | For the period from | | |
|--|----------------------------|----------------------------|----------------------------|
| | Jan. 1 to Jun. 30, 2017 | Jan. 1 to Dec. 31, 2016 | Jan. 1 to Jun. 30, 2016 |
| Beginning balance of prepaid rent | \$63,855 | \$72,052 | \$72,052 |
| Prepaid rent added in current period | 4,779 | 14,661 | 9,772 |
| Rent income recognized in current period | (7,976) | (17,832) | (9,388) |
| Exchange difference | (1,590) | (5,026) | (1,875) |
| Ending balance of prepaid rent | <u>\$59,068</u> | <u>\$63,855</u> | <u>\$70,561</u> |

Advances received for operating leases are as follows:

| | As of | | |
|-------------------------------------|-----------------|-----------------|-----------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Other current liabilities | \$4,694 | \$5,478 | \$6,766 |
| Other non-current liabilities-other | 54,374 | 58,377 | 63,795 |
| Total | <u>\$59,068</u> | <u>\$63,855</u> | <u>\$70,561</u> |

Operating lease commitments – Group as a lessee

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

| | As of | | |
|-----------------------------|------------------|------------------|------------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Within one year | \$45,429 | \$47,238 | \$31,477 |
| From one year to five years | 90,924 | 105,220 | 140,009 |
| Total | <u>\$136,353</u> | <u>\$152,458</u> | <u>\$171,486</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

The lease contracts listed above were rental expenses for operations centers, automobiles and warehouses.

Operating lease expenses recognized are as follows:

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|------------------------|--|----------|--|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Minimum lease payments | \$14,815 | \$12,432 | \$29,395 | \$24,692 |

(19) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2017 and 2016 were \$6,761 thousand and \$3,951 thousand and for six-month periods then ended were \$11,974 thousand and \$7,703 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the three-month periods ended June 30, 2017 and 2016 were \$208 thousand and \$378 thousand and for six-month periods then ended were \$416 thousand and \$593 thousand, respectively.

(20) Equity

(a) Common stock

The Company has 150,000 thousand authorized shares of which 135,214 thousand shares, 135,214 thousand shares and 130,395 thousand shares were issued as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively, each share at par value of \$10. Each share possesses one voting right and a right to receive dividends.

During 2016, the unsecured convertible bonds in amount of \$815,700 thousand were converted into 4,914,070 common shares at par value of \$49,141 thousand.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(b)Capital reserve

| Source of capital reserve | As of | | |
|--------------------------------|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Treasury share transactions | \$4,363 | \$4,363 | \$4,363 |
| Convertible bonds—share option | 7,842 | 7,842 | 44,041 |
| Additional paid-in capital | 787,016 | 787,016 | 25,670 |
| Total | \$799,221 | \$799,221 | \$74,074 |

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 \$118 to \$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 June 30, 2017 was NT\$91,062 thousand.

(d)Retained earnings and dividend policy

A.Retained earnings

The Company and its subsidiary, Pro-partner Inc., hold shareholders' meetings on June 16, 2016 and April 26, 2016, respectively, to amend their articles. According to the amended company articles, both the Company and Pro-partner Inc. 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;

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

- 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.

Prior to the amendments of Articles of Incorporation, for the Company and Pro-partner Inc., current year's earnings, if any, after payment of all taxes and dues, it should be first used to offset the operating loss, if any, incurred from previous years. After that, 10% of the remaining balance should be set aside for legal reserve. Afterwards, according to the related regulations, part of the remaining should be set aside for the special reserve if deemed necessary. Both companies may, based on business needs, resolve to make certain reservation from the combined amount of the remaining current earnings and the accumulated undistributed earnings from previous years and distribute the rest in the ratio listed below respectively.

| | <u>The Company</u> | <u>Pro-partner</u> |
|--|--------------------|--------------------|
| Dividends and bonus | 87% | 90% |
| Employees' bonuses | 11% | 5% |
| Directors' and supervisors' remuneration | 2% | 5% |

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 serve which exceeds 25% of the paid-in capital

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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. Details of the Company's 2016 and 2015 earnings distribution and dividends per share as approved in the Board of Director meeting held on 13 June 2017 and in the shareholders' meeting held on June 16, 2016 were listed as follows:

| | Appropriation of earnings | | Dividend per share (in NT\$) | |
|----------------------------|---------------------------|-----------|---------------------------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Legal reserve | \$129,677 | \$105,165 | | |
| Common stock—cash dividend | 862,120 | 729,681 | 6.4 | 5.6 |

As to the details of estimation regarding employee's and directors' compensation, please refer to Note 6(22) to the financial statements.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

F. Information regarding Pro-Partner's 2016 and 2015 earnings distribution and dividends per share as proposed in board meeting held on April 27, 2017 and approved in the annual shareholders' meeting held on April 26, 2016 were listed as follows:

| | Appropriation of earnings | | Dividend per share (in NT\$) | |
|-----------------------------|---------------------------|-----------|---------------------------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Legal reserve | \$147,538 | \$123,808 | | |
| Common stock— cash dividend | 1,062,201 | 891,316 | 60.35 | 50.64 |

G. Non-controlling interests

| | For six-month period ended June 30, | |
|---|--|-----------|
| | 2017 | 2016 |
| Beginning balance | \$974,937 | \$741,347 |
| Profit (loss) attributable to non-controlling interests | 241,462 | 262,793 |
| Cash dividends to non-controlling interests | (424,881) | (356,527) |
| Ending balance | \$791,518 | \$647,613 |

(21) Operating revenue

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|---|--|-------------|--|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sale of goods | \$2,124,864 | \$2,271,948 | \$4,052,251 | \$4,221,011 |
| Revenue arising from rendering of services | 228,543 | 78,719 | 305,085 | 138,630 |
| Total | \$2,353,407 | \$2,350,667 | \$4,357,336 | \$4,359,641 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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

| | For three-month period ended June 30, | | | | | |
|----------------------------|---------------------------------------|--------------------|-----------|-----------------|--------------------|-----------|
| | 2017 | | | 2016 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries & wages | \$52,667 | \$217,258 | \$269,925 | \$45,293 | \$191,061 | \$236,354 |
| Labor and health insurance | 4,147 | 7,500 | 11,647 | 2,735 | 5,767 | 8,502 |
| Pension | 3,818 | 3,151 | 6,969 | 2,013 | 2,316 | 4,329 |
| Other employee benefits | 1,937 | 4,005 | 5,942 | 1,577 | 4,515 | 6,092 |
| Depreciation | 32,843 | 20,945 | 53,788 | 32,240 | 17,692 | 49,932 |
| Amortization | - | 1,633 | 1,633 | - | 785 | 785 |

| | For six-month period ended June 30, | | | | | |
|----------------------------|-------------------------------------|--------------------|-----------|-----------------|--------------------|-----------|
| | 2017 | | | 2016 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries & wages | \$95,253 | \$409,414 | \$504,667 | \$90,684 | \$369,175 | \$459,859 |
| Labor and health insurance | 7,436 | 15,019 | 22,455 | 5,312 | 11,575 | 16,887 |
| Pension | 6,476 | 5,914 | 12,390 | 3,933 | 4,363 | 8,296 |
| Other employee benefits | 3,567 | 8,592 | 12,159 | 3,111 | 9,579 | 12,690 |
| Depreciation | 66,133 | 40,716 | 106,849 | 64,690 | 35,577 | 100,267 |
| Amortization | - | 3,225 | 3,225 | - | 1,232 | 1,232 |

A resolution was passed at the shareholders' meeting of the Company held on June 16, 2017 to amend the Articles of Incorporation of the Company. 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 thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on profit of the six-month period ended June 30, 2017, the Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors for the six-month period ended June 30, 2017 to be 8% of profit of the current six-month period and 2% of profit of the current six-month period, respectively, recognized as employee benefits expense and remuneration to directors and supervisors. As such, employees’ compensation and remuneration to directors and supervisors for the three-month period ended June 30, 2017 amounted to \$34,020 thousand and \$8,505 thousand, respectively. Employees’ compensation and remuneration to directors and supervisors for the six-month period ended June 30, 2017 amounted to \$58,375 thousand and \$14,594 thousand, respectively.

Based on profit of the six-month period ended June 30, 2016, the Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors to be 8% of profit and 2% of profit, respectively. As such, employees’ compensation and remuneration to directors and supervisors for the three-month period ended June 30, 2016 amount to \$29,497 thousand and \$7,374 thousand, respectively. Employees’ compensation and remuneration to directors and supervisors for the six-month period ended June 30, 2016 amount to \$57,503 thousand and \$14,376 thousand, respectively. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income.

The Company’s Board of directors, in a meeting held on March 21, 2017, have approved the Company’s 2016 employee compensation and remuneration to directors and supervisors, all in cash, to be \$123,322 thousand and \$30,831 thousand.

The Company’s distributions of employees’ compensation and remuneration to directors for 2016 and 2015 approved by the Board of Directors’ meeting were consistent with amounts recognized by the Company.

In addition, the Articles of Incorporation of Pro-partner Inc. states that, after the profit for current year be used to cover accumulated loss if any, 4% of the remaining amount is distributed as the employee’s compensation and no more than 5% as the remuneration to directors and supervisors.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Pro-partner Inc., estimated the employee compensation and remuneration to directors to be \$33,374 thousand and \$41,717 thousand, respectively, for the six-month period ended June 30, 2017. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income.

Pro-partner Inc., estimated the employee compensation and remuneration to directors to be \$35,989 thousand and \$44,986 thousand, respectively, for the six-month period ended June 30, 2016. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income.

The Pro-partner Inc. distributions of employee compensation and remuneration to directors for 2016 amounting \$79,314 thousand and \$99,142 thousand approved by the Board of Directors were consistent with the amounts recognized.

(23) Non-operating incomes and expenses

(a) Other incomes

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|------------------------------------|--|-----------------|--|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest income from bank deposits | \$1,408 | \$1,289 | \$2,403 | \$1,882 |
| Rental revenue | 4,673 | 5,713 | 9,003 | 11,716 |
| Compensation revenue | 86,997 | - | 86,997 | - |
| Other incomes | 15,103 | 19,683 | 29,985 | 40,558 |
| Total | <u>\$108,181</u> | <u>\$26,685</u> | <u>\$128,388</u> | <u>\$54,156</u> |

(b) Other gains and losses

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|---|--|--------------|--|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Loss from disposal of fixed assets | \$(342) | \$(199) | \$(715) | \$(199) |
| Foreign exchange loss, net | (1,142) | (577) | (2,254) | (756) |
| Gain from financial assets at fair value through P/L | 311 | 1,183 | 471 | 1,347 |
| Others | <u>(2,786)</u> | <u>(24)</u> | <u>(2,808)</u> | <u>(24)</u> |
| Total | <u>\$(3,959)</u> | <u>\$383</u> | <u>\$(5,306)</u> | <u>\$368</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(c) Finance costs

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|----------------------------------|--|---------|--|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Imputed interest on deposit | \$47 | \$39 | \$94 | \$76 |
| Interest on borrowings from bank | 3,728 | 4,914 | 7,283 | 10,856 |
| Interest on corporate bond | 827 | 4,556 | 1,639 | 9,156 |
| Total | \$4,602 | \$9,509 | \$9,016 | \$20,088 |

(24) Components of other comprehensive income

For the three-month period ended June 30, 2017

| | Arising during the period | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|------------------------------|---|--|
| To be reclassified to profit or loss in subsequent period: | | | |
| Exchange differences | | | |
| Resulting from translating financial statements of foreign operations | \$9,213 | \$- | \$9,213 |

For the three-month period ended June 30, 2016

| | Arising during the period | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|------------------------------|---|--|
| To be reclassified to profit or loss in subsequent period: | | | |
| Exchange differences | | | |
| Resulting from translating financial statements of foreign operations | \$(7,576) | \$- | \$(7,576) |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

For the six-month period ended June 30, 2017

| | <u>Arising during the period</u> | <u>Income tax relating to components of other comprehensive income</u> | <u>Other comprehensive income, net of tax</u> |
|---|--------------------------------------|--|---|
| To be reclassified to profit or loss in subsequent period: | | | |
| Exchange differences | | | |
| Resulting from translating financial statements of foreign operations | \$(14,714) | \$- | \$(14,714) |

For the six-month period ended June 30, 2016

| | <u>Arising during the period</u> | <u>Income tax relating to components of other comprehensive income</u> | <u>Other comprehensive income, net of tax</u> |
|---|--------------------------------------|--|---|
| To be reclassified to profit or loss in subsequent period: | | | |
| Exchange differences | | | |
| Resulting from translating financial statements of foreign operations | \$(8,949) | \$- | \$(8,949) |

(25) Income tax

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

Income tax expense (income) recognized in profit or loss

| | <u>For three-month period ended June 30,</u> | | <u>For six-month period ended June 30,</u> | |
|---|--|-------------|--|-------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Current income tax expense (benefit): | | | | |
| Current income tax charge | \$147,848 | \$142,373 | \$226,195 | \$226,636 |
| Adjustments in respect of current income tax of prior periods | (1,275) | - | - | - |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Deferred income tax expense (benefit):

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Deferred income tax expense (benefit) related to origination and reversal of temporary difference | (16,864) | (777) | 17,246 | (480) |
| Total income tax expense | <u>\$163,437</u> | <u>\$141,596</u> | <u>\$243,441</u> | <u>\$226,156</u> |

Income tax relating to components of other comprehensive income

| | For three-month periods ended June 30, | | For six-month periods ended June 30, | |
|--|---|------------|---|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Deferred tax expense (benefit): | | | | |
| Exchange differences on translation of foreign operations | \$- | \$- | \$- | \$- |
| Income tax relating to components of other comprehensive income | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

Imputation tax credit information

| | As of | | |
|---|------------------|------------------|------------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Balance of imputation tax credit The Company | <u>\$374,095</u> | <u>\$177,187</u> | <u>\$303,570</u> |

The creditable ratios for 2016 and 2015 were 18.14% and 18.97%, respectively.

As of December 31, 2016, the Company's earnings generated in the year ended December 31, 1997 and before have been fully appropriated.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Tax assessment

As of June 30, 2017, the status of assessment from tax authority for the Company and Pro-partner Inc. are listed as follows:

| | <u>Status</u> |
|------------------|----------------------------------|
| The Company | Assessed and approved up to 2014 |
| Pro-partner Inc. | Assessed and approved up to 2014 |
| Rivershine Ltd. | Assessed and approved up to 2015 |

(26) 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.

| | <u>For three-month period</u> | | <u>For six-month period</u> | |
|--|-------------------------------|------------------|-----------------------------|------------------|
| | ended June 30, | | ended June 30, | |
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| (a) Basic earnings per share | | | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT\$) | <u>\$321,056</u> | <u>\$295,432</u> | <u>\$579,881</u> | <u>\$578,601</u> |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares) | <u>134,706</u> | <u>130,386</u> | <u>134,780</u> | <u>130,346</u> |
| Basic earnings per share (in NT\$) | <u>\$2.38</u> | <u>\$2.27</u> | <u>\$4.30</u> | <u>\$4.44</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|--|--|------------------|--|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| (b) Diluted earnings per share | | | | |
| Profit attributable to ordinary equity holders of the Company | \$321,056 | \$295,432 | \$579,881 | \$578,601 |
| Interest expense from convertible bonds | 814 | 4,480 | 1,614 | 9,006 |
| Gain or loss on valuation of redemption | 18 | (584) | (34) | (90) |
| Profit attributable to ordinary equity holders of the Company | <u>\$321,888</u> | <u>\$299,328</u> | <u>\$581,461</u> | <u>\$587,517</u> |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares) | 134,706 | 130,386 | 134,780 | 130,346 |
| Effect of dilution: | | | | |
| Employee bonus – stock (in thousand shares) | 288 | 274 | 569 | 481 |
| Convertible bond – stock (in thousand shares) | 1,044 | 5,714 | 1,044 | 5,754 |
| Weighted average number of ordinary shares outstanding after dilution (in thousand shares) | <u>136,038</u> | <u>136,374</u> | <u>136,393</u> | <u>136,581</u> |
| Diluted earnings per share (in NT\$) | <u>\$2.37</u> | <u>\$2.19</u> | <u>\$4.26</u> | <u>\$4.30</u> |

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 consolidated financial statements.

(27) Subsidiary that has material non-controlling interests

Financial information of subsidiary that has material non-controlling interests was as below.

Proportion of equity interest held by non-controlling interests:

| Name | Country of incorporation and operation | As of | | |
|-------------|---|---------------|---------------|---------------|
| | | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Pro-partner | Taiwan, Republic of China | 40% | 40% | 40% |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| | As of | | |
|---|---------------------------------------|-------------------------------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Accumulated balances of material non-controlling interest: | | | |
| Pro-partner | \$791,518 | \$974,937 | \$647,613 |
| | For three-month period ended June 30, | For six-month period ended June 30, | |
| Profit/(loss) allocated to material non-controlling interest: | 2017 | 2016 | 2017 |
| Pro-partner | \$118,777 | \$133,576 | \$241,462 |

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss for the three-month periods and the six-month periods ended June 30, 2017 and 2016 is as follows.

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|---|---------------------------------------|-------------|-------------------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenue | \$2,025,387 | \$2,172,618 | \$3,867,368 | \$4,026,221 |
| Profit/loss from continuing operation | \$296,943 | \$333,928 | \$603,655 | \$656,981 |
| Total comprehensive income for the period | \$296,943 | \$333,928 | \$603,655 | \$656,981 |

Summarized information of financial position as of June 30, 2017, December 31, 2016 and June 30, 2016 is as follows:

| | As of | | |
|-------------------------|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Current assets | \$818,784 | \$1,467,175 | \$746,893 |
| Non-current assets | 3,544,707 | 3,548,077 | 3,534,370 |
| Current liabilities | (1,560,229) | (1,631,003) | (1,506,599) |
| Non-current liabilities | (824,467) | (946,907) | (1,155,631) |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

Summarized cash flow information for the six-month periods ended June 30, 2017 and 2016 is as follows:

| | For six-month period ended June 30, | |
|--|--|-------------|
| | 2017 | 2016 |
| Operating activities | \$566,962 | \$890,854 |
| Investing activities | (20,937) | (86,412) |
| Financing activities | (1,158,506) | (1,199,876) |
| Net increase/(decrease) in cash and cash equivalents | (612,481) | (395,434) |

7. Related party transactions

(1) Name of related party and the relation

| <u>Name of related party</u> | <u>Relation with the Group</u> |
|---|----------------------------------|
| 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 (referred to "Pro-partner Foundation" thereafter) | Pro-partner is its sole founder. |
| Integrate Chinese Medicine Holdings Ltd. | Supervisor of Pro-partner |
| Chi-Sheng Chang | A supervisor of the Company |
| Chang-Yeh Tseng | The Chairman of Pro-partner |
| Mei-Jing Tseng | General manager of Pro-partner |

(2) Significant transactions with related parties

a. Sales

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|-----------------------|--|----------|--|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Other related parties | \$124 | \$12,161 | \$443 | \$26,171 |

The above mentioned parties are the exclusive distributors for beverage products of the Company and the Multi-level marketing (MLM) members of the subsidiaries. The sales

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

price for the other related parties was determined based on mutual consent and the price for the third-party MLM member customers. There is no significant difference regarding the terms and conditions for the other related parties and for the third-parties.

b. Amounts owed by related parties

| | As of | | |
|------------------------------------|---------------|----------------|-----------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Laifu | \$- | \$2,907 | \$12,416 |
| Less: allowance for doubtful debts | - | - | - |
| Net | <u>\$-</u> | <u>\$2,907</u> | <u>\$12,416</u> |

c. Other payables to related parties

| | As of | | |
|--|-----------------|-----------------|-----------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Pu Hsing | \$6,985 | \$16,555 | \$7,529 |
| Integrate Chinese Medicine Holdings Ltd. | 6,953 | 16,524 | 7,498 |
| Other related parties | 159 | - | - |
| Total | <u>\$14,097</u> | <u>\$33,079</u> | <u>\$15,027</u> |

d. Temporary Receipts

| | As of | | |
|-----------------|-----------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Mei-Ching Tseng | <u>\$17,607</u> | <u>\$-</u> | <u>\$-</u> |

e. Sales and marketing expenses – commission

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|-----------------------|--|-------------|--|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Other related parties | <u>\$96</u> | <u>\$95</u> | <u>\$193</u> | <u>\$191</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

The above related parties are MLM members of subsidiary. The calculation and payment terms are the same as with the general membership in accordance with the regulations of Business Manual.

f. General and administrative expenses – rental

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|-----------------------|--|-------|--|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Other related parties | \$720 | \$660 | \$1,440 | \$1,320 |

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

g. Revenue from rental assets

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|-----------------------|--|-------|--|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Other related parties | \$5 | \$905 | \$11 | \$1,811 |

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. General and administrative – donations

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|-----------------------|--|------|--|------|
| | 2017 | 2016 | 2017 | 2016 |
| Other related parties | \$- | \$- | \$200 | \$- |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

i. Key management personnel compensation

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|------------------------------|--|----------|--|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Short-term employee benefits | \$60,916 | \$27,676 | \$76,478 | \$52,119 |
| Post-employment benefits | 66 | 64 | 132 | 126 |
| Total | \$60,982 | \$27,740 | \$76,610 | \$52,245 |

8. Assets pledged as collaterals

The following assets are pledged as collaterals for bank loans and contract deposit.

| Assets pledged | As of | | |
|---|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| Property, plant and equipment-land | \$2,109,072 | \$2,121,928 | \$2,314,312 |
| Property, plant and equipment-building | 1,047,381 | 1,055,355 | 1,164,915 |
| Debt investments without active market - time deposit | 4,460 | 4,460 | 4,460 |
| Total | \$3,160,913 | \$3,181,743 | \$3,483,687 |

9. Commitments and contingencies

- (1) The Company's guarantee notes issued to banks for credit lines amounted to \$432,810 thousand.
- (2) The Company entered into a contract for plant and machinery. Total contract amount was \$1,055,000 thousand while \$940,946 thousand remained unpaid as of June 30, 2017.
- (3) For operational needs, Pro-partner has to establish operational bases in Taipei, Taoyuan, Hsinchu, Fengyuan, Taichung, Kaohsiung, Pingzhen, Jhongli, Hualien and Tainan. All offices, except for Taipei operational center which is a business building purchased and owned by Pro-partner, were leased from others. The information concerning the operating leases sustained as of June 30, 2017 is listed below.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| Operation Sites | Lessor | The lease term | Monthly rental |
|-----------------|---------------------------------------|----------------------|----------------|
| Taipei City | Uni-President Enterprises Corporation | 2013.5.1~2018.4.30 | \$570 |
| Taipei City | Concept Business Center Ltd. | 2017.5.1~2018.4.30 | 20 |
| Taoyuan City | Taoyuan Irrigation Association | 2016.11.9~2019.11.8 | 180 |
| Hsinchy City | Lin,Zhuang-Long, Wu,Yi-Wan | 2016.11.1~2021.10.31 | 320 |
| Fengyuan Dist. | Lin,Fen-Ling | 2017.6.1~2020.5.31 | 70 |
| Taichung City | Pu-Lin Ltd. (NOTE) | 2007.11.1~2027.11.1 | 220 |
| Taichung City | Pu-Lin Ltd. (NOTE) | 2010.4.1~2030.3.31 | 129 |
| Kaohsiung City | The Company | 2016.8.1~2019.7.31 | 236 |
| Pingzhen City | The Company | 2017.4.1~2018.3.31 | 48 |
| Chungli City | The Company | 2017.4.1~2018.3.31 | 1 |
| HuaLian City | Liou, Chuen-Hou、Liou, Chuen-Lung | 2017.3.1~2017.8.31 | 130 |
| Tainan City | Cathay Life Insurance Company, Ltd. | 2016.3.21~2021.7.31 | 799 |

NOTE: According to the general manager of Pro-partner Inc., Pu-Lin Ltd has been funded by herself while it has registered under the name of Yide Lin as the sole director and shareholder. However, as she failed in requesting back the ownership of Pu-Lin Ltd from Mr. Lin, she files a petition to the Court to abort the registration under other's name. Pu-Lin Ltd would be proved to have no relation with Pro-partner from the very beginning of Pu-Lin Ltd if the petition were lost at final court decision. It can be construed that the general manager of Pro-partner is solely a fund-provider of Pu-Lin Ltd, instead of a related party, before her petition is finalized by the Court. Therefore, the Company's rental expenditures paid to Pu-Lin Ltd, amounted to \$2,099 thousand for both June 30, 2016 and 2017, were not disclosed in Note 7 to the consolidated financial statements.

- (4) Pro-partner Inc. has purchased the software rights of the cloud version of the direct marketing information management system from WELLAN SYSTEM CO., LTD., in August 2016. The total contract price is in amount of \$19,780 thousand to be paid in 24 installments during the period of 2 years. As of June 30, 2017, the software system mentioned above was not completed yet.
- (5) Pro-partner Inc. has entered into certain agreements for computer software and hardware leasing and maintenance contracts on February 1, 2008. Pro-partner Inc. also has entered into additional software leasing and maintenance contracts for logistics management on January 1, 2013 with "FINE EAGLE INVESTMENTS LIMITED" for the services provided by WELLAN SYSTEM CO., LTD., The general manager of Pro-partner Inc. has paid the

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

related commission in amount of \$17,607 thousand to Pro-partner on behalf of "FINE EAGLE INVESTMENTS LIMITED" due to an Investigation Bureau case against her. As the investigation is not yet finalized, Pro-partner recorded the payment under the caption of temporary receipts. Pro-partner will either return the payment or reclassify it for proper account based on the Court's decision.

- (6) In December 2016, the Company was affected by news events suspected of changing label on overdue goods. In order to allay the consumers' concern, the Company accepted the return from consumers by the end of February 2017. The Company has recorded the allowance in amount of \$7,500 thousand due to the sale return in the year of 2016. As this case is in interrogation by authority, it is not feasible to reasonably assess the impact of the event on the Company as of the issuance date of the financial statements.

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 | | |
|--|---------------|---------------|---------------|
| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
| <u>Financial asset at fair value through P/L:</u> | | | |
| Held for trading | \$570,397 | \$346,062 | \$1,002,162 |
| Designated financial asset at fair value through P/L | 121 | 87 | 2,432 |
| Total | 570,518 | 346,149 | 1,004,594 |
| <u>Available-for-sale financial assets</u> | | | |
| <u>(including financial asset measured at cost)</u> | 28,028 | 28,028 | 28,028 |
| <u>Loans and receivables</u> | | | |
| Cash and cash equivalents (excluding cash on hand) | 1,588,339 | 1,895,115 | 1,379,253 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| | | | |
|--|-------------|-------------|-------------|
| Debt investments without activemarket | 47,190 | 47,845 | 34,450 |
| Notes receivable | 6,210 | 5,098 | 13,493 |
| Accounts receivable | 231,969 | 196,383 | 97,100 |
| Accounts receivable from related parties | - | 2,907 | 12,416 |
| Other receivables | 2,063 | 4,056 | 2,714 |
| Subtotal | 1,875,771 | 2,151,404 | 1,539,426 |
| Total | \$2,474,317 | \$2,525,581 | \$2,572,048 |

Financial liabilities

As of

| | Jun. 30, 2017 | Dec. 31, 2016 | Jun. 30, 2016 |
|--|---------------|---------------|---------------|
| Financial liabilities at amortized cost: | | | |
| Short-term loans | \$100,000 | \$50,000 | \$- |
| Notes payable | 1,348 | 11,335 | 8,737 |
| Accounts payable | 258,829 | 186,737 | 236,884 |
| Other payables | 2,519,182 | 1,686,213 | 2,204,042 |
| Other payables – related parties | 14,097 | 33,079 | 15,027 |
| Bonds payable | 170,619 | 168,981 | 939,837 |
| Long-term loans (current portion included) | 872,698 | 986,610 | 1,184,774 |
| Other long-term payables | 16,306 | 17,203 | 17,401 |
| Total | \$3,953,079 | \$3,140,158 | \$4,606,702 |

(2) Financial risk management objectives and policies

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

The Group 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 Group complies with its financial risk management policies at all times.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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

The Group 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 Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 10%, the profit before tax for the six-month periods ended June 30, 2017 and 2016 increased /decreased by \$9,349 thousand and \$773 thousand, respectively.

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 Group's exposure to the risk

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

of changes in market interest rates relates primarily to the Group'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 six-month periods ended June 30, 2017 and 2016 to increase/decrease by \$331 thousand and increase / decrease \$114 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities and monetary fund are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under available-for-sale financial assets.

The Group 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 Group's senior management on a regular basis. The Group'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 Group's profit before tax for the six-month periods ended June 30, 2017 and 2016 by \$28,520 thousand and \$50,108 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 Group 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 Group'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 Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

There is no concentration of credit risk of a single customer for the six-month periods ended June 30, 2017 and 2016. Therefore, the credit risk is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group 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 Group'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 Group'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.

Non-derivative financial instruments

| | Less than 6 months | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
|--|-----------------------|-------------------|-----------------|-----------------|----------------------|-----------|
| <u>As of June 30, 2017</u> | | | | | | |
| Carried at amortized cost | | | | | | |
| Shrot-term loans | \$100,078 | \$- | \$- | \$- | \$- | \$100,078 |
| Notes payable | 1,348 | - | - | - | - | 1,348 |
| Accounts payable | 258,829 | - | - | - | - | 258,829 |
| Bonds payable | - | - | 170,619 | - | - | 170,619 |
| Other payables | 2,249,249 | 284,030 | - | - | - | 2,533,279 |
| Long-term payables | - | - | - | - | 16,306 | 16,306 |
| Long-term loans (current portion included) | 31,927 | 32,023 | 65,006 | 195,018 | 668,582 | 992,556 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

As of December 31, 2016

Carried at amortized cost

| | | | | | | |
|--|-----------|---------|---------|---------|---------|-----------|
| Shrot-term loans | \$50,039 | \$- | \$- | \$- | \$- | \$50,039 |
| Notes payable | 11,335 | - | - | - | - | 11,335 |
| Accounts payable | 186,737 | - | - | - | - | 186,737 |
| Other payables | 1,484,623 | 234,669 | - | - | - | 1,719,292 |
| Bonds payable | - | - | 174,502 | - | - | 174,502 |
| Long-term payables | - | - | - | - | 17,203 | 17,203 |
| Long-term loans (current portion included) | 21,656 | 36,822 | 73,644 | 220,933 | 773,991 | 1,127,046 |

As of June 30, 2016

Carried at amortized cost

| | | | | | | |
|--|-----------|---------|--------|---------|---------|-----------|
| Notes payable | \$8,737 | \$- | \$- | \$- | \$- | \$8,737 |
| Accounts payable | 236,884 | - | - | - | - | 236,884 |
| Bonds payable | - | - | - | 980,115 | - | 980,115 |
| Other payables | 1,789,762 | 429,307 | - | - | - | 2,219,069 |
| Long-term payables | - | - | - | - | 17,401 | 17,401 |
| Long-term loans (current portion included) | 106,427 | 23,254 | 82,628 | 247,885 | 891,889 | 1,352,083 |

(6) 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 Group to measure or disclose the fair values of financial assets and financial liabilities:

- 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.
- 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

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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 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 Group's financial assets and liabilities measured at amortized cost approximate their fair value.

| | Carrying value | | | Fair value | | |
|-------------------------|----------------|------------|-----------|------------|------------|-----------|
| | 2017.6.30 | 2016.12.31 | 2016.6.30 | 2017.6.30 | 2016.12.31 | 2016.6.30 |
| Financial liabilities : | | | | | | |
| Bonds payable | \$170,619 | \$168,981 | \$939,837 | \$171,451 | \$169,597 | \$947,604 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(7) Derivative financial instruments

The Group'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 June 30, 2017 and June 30, 2016 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(15) for further information on this transaction.

(8) 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:

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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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

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

As of June 30, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|---------|---------|-----------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Monetary fund | \$570,397 | \$- | \$- | \$570,397 |
| Embedded Derivatives | - | - | 121 | 121 |
| Total | \$570,397 | \$- | \$121 | \$570,518 |

As of December 31, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|---------|---------|-----------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Monetary fund | \$346,062 | \$- | \$- | \$346,062 |
| Embedded derivative— Redemption | - | - | 87 | 87 |
| Total | \$346,062 | \$- | \$87 | \$346,149 |

As of June 30, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|---------|---------|-------------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Monetary fund | \$1,002,162 | \$- | \$- | \$1,002,162 |
| Embedded Derivatives | - | - | 2,432 | 2,432 |
| Total | \$1,002,162 | \$- | \$2,432 | \$1,004,594 |

Transfers between Level 1 and Level 2 during the period

During the six-month periods ended June 30, 2017 and 2016, there were no transfer between Level 1 and Level 2 fair value measurements.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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

| | <u>Assets</u> |
|---|---|
| | <u>At fair value through profit or loss</u> |
| Beginning balances as of January 1, 2017 | \$87 |
| Total gains and losses recognized for three-month period ended June 30, 2017: | |
| Amount recognized in profit or loss (presented in “other profit or loss”) | 34 |
| Ending balances as of June 30, 2017 | <u>\$121</u> |
| | |
| | <u>Assets</u> |
| | <u>At fair value through profit or loss</u> |
| Beginning balances as of January 1, 2017 | \$2,373 |
| Convertible for the six-month period ended June 30, 2017 | (31) |
| Total gains and losses recognized for six-month period ended June 30, 2017: | |
| Amount recognized in profit or loss (presented in “other profit or loss”) | 90 |
| Ending balances as of June 30, 2017 | <u>\$2,432</u> |

Total gains and losses recognized in profit or loss for the three-month ended June 30, 2017 and 2016 in the table above contain gains and losses related to assets on hand as of June 30, 2017 and 2016 in the amount of \$34 thousand and \$90 thousand.

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.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

As of June 30, 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 | 33.91% | The higher the volatility, the higher the fair value of the embedded derivatives. | 1% increase (decrease) in the volatility would result in increase in the Group's profit or loss by \$17/17 thousand |

As of December 31, 2016

| | 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 | 31.94% | The higher the volatility, the higher the fair value of the embedded derivatives. | 1% increase (decrease) in the volatility would not impact on the Group's profit or loss. |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

As of June 30, 2016

| | 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 | 42.64% | 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 Group's profit or loss by NT\$195/0 thousand |

- j. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of June 30, 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) | \$- | \$- | \$247,692 | \$247,692 |
| Financial liabilities not measured at fair value but for which the fair value is disclosed: | | | | |
| Bonds payable (please refer to Note 6.15) | \$- | \$- | \$171,451 | \$171,451 |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

As of December 31, 2016

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|------------------|------------------|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6.10) | <u>\$-</u> | <u>\$-</u> | <u>\$247,692</u> | <u>\$247,692</u> |
| Financial liabilities not measured at fair value but for which the fair value is disclosed: | | | | |
| Bonds payable (please refer to Note 6.15) | <u>\$-</u> | <u>\$-</u> | <u>\$169,597</u> | <u>\$169,597</u> |

As of June 30, 2016

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|------------------|------------------|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6) | <u>\$-</u> | <u>\$-</u> | <u>\$233,575</u> | <u>\$233,575</u> |
| Financial liabilities not measured at fair value but for which the fair value is disclosed: | | | | |
| Bonds payable (please refer to Note 6.15) | <u>\$-</u> | <u>\$-</u> | <u>\$947,604</u> | <u>\$947,604</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below.

| | As of June 30, 2017 | | | As of December 31, 2016 | | |
|------------------------------|---------------------|-----------------------|-----------|-------------------------|-----------------------|-----------|
| | Foreign currencies | Foreign exchange rate | NTD | Foreign currencies | Foreign exchange rate | NTD |
| <u>Financial assets</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$4,118 | 30.38 | \$125,134 | \$4,409 | 32.03 | \$141,233 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$1,041 | 30.39 | \$31,646 | \$705 | 32.03 | \$22,566 |
| <u>As of June 30, 2016</u> | | | | | | |
| | Foreign currencies | Foreign exchange rate | NTD | | | |
| <u>Financial assets</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$744 | 32.29 | \$24,027 | | | |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$494 | 32.97 | \$16,297 | | | |

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Company's functional currency is variety. It can not be disclosed the foreign exchange gains or losses on monetary financial assets and financial liabilities with each significant

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

influence. The Foreign exchange gains or losses of the Company amounted to \$2,254 thousand and \$756 thousand respectively on June 30, 2017 and 2016.

(10) Capital management

The same summarized quantitative information of capital management have been applied in the Company's consolidated financial statements for the six-month period ended June 30, 2017 as those applied in the Company's consolidated financial statements for the year ended December 31, 2016. For the related information please refer to Note 12(10) of the Company's consolidated financial statements for year ended December 31, 2016.

13. Other disclosure

(1) Information at significant transactions

- a. Financing provided to others for the six-month period ended June 30, 2017: None
- b. Endorsement/Guarantee provided to others for the six-month period ended June 30, 2017: Please refer to attachment 1.
- c. Securities held as of June 30, 2017(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 six-month period ended June 30, 2017: 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 six-month period ended June 30, 2017: 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 six-month period ended June 30, 2017: 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 six-month period ended June 30, 2017: Please refer to attachment 3.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(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 June 30, 2017: Please refer to attachment 6.
- i. Financial instruments and derivative transactions: None
- j. Intercompany relationships and significant intercompany transaction: Please refer to attachment 7.

(2) Information on investees

- 1. Names, locations and related information of investees as of June 30, 2017 (excluding the investment in Mainland China): Please refer to attachment 4.
- 2. Information at significant transactions
 - a. Financing provided to others for the six-month period ended June 30, 2017: Please refer to attachment 5.
 - b. Endorsement/Guarantee provided to others for the six-month period ended June 30, 2017: None
 - c. Securities held as of June 30, 2017 (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 six-month period ended June 30, 2017: 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 six-month period ended June 30, 2017: 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 six-month period ended June 30, 2017: 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 six-month period ended June 30, 2017: Please refer to attachment 3.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(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 June 30, 2017: None

- i. Financial instruments and derivative transactions: None

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(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 at January 1, 2017 | Investment Flows | | Accumulated Investment Outflows from Taiwan as at June 30, 2017 | Net Income (Loss) of Investee Company | Percentage of Direct or Indirect Ownership | Investment Profit(Loss) Recognized (Note 2) | Carrying Amount as at June 30, 2017 | Accumulated Inward Remittance of Earnings as of June 30, 2017 |
|--|--|---------------------------------|-------------------------------|---|------------------|--------|---|---------------------------------------|--|---|-------------------------------------|---|
| | | | | | Outflow | Inflow | | | | | | |
| Shanghai Grape King Enterprise Co., Ltd. | Manufacturing and selling capsule, tablet, related products and services. | US\$27,900 thousand | (Note 1(2)) (Note 3) | \$847,672 (USD 27,350 thousand) | \$- | \$- | \$847,672 (USD 27,350 thousand) | \$31,137 (Note 2 (2)B) | 100% | \$31,859 (Note 2(2)B) | \$438,908 | \$- |
| Shanghai Yusong Co., Ltd. | Stock management and related services of the thermostatic fresh freezing 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)) | \$28,008 | \$- |

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

| | | | | | | | | | | | | |
|--------------------------|--|------------------|-------------------------|-----|-------------------------------|-----|-------------------------------|-----------------------|------|-----------------------|---------|-----|
| 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) | \$(80) (Note 2(3)) | 100% | \$(80) (Note 2(3)) | \$4,503 | \$- |
|--------------------------|--|------------------|-------------------------|-----|-------------------------------|-----|-------------------------------|-----------------------|------|-----------------------|---------|-----|

| Accumulated investment in Mainland China as at June 30, 2017 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment |
|---|---|---------------------------|
| \$878,526 | \$878,526(Note 5) | \$3,126,909 |

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 was reviewed by the parent company's auditors .
 - (C) Others.
3. Recorded as financial assets at cost-noncurrent

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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). As of issuance date of the consolidated financial statements, the Company was yet applying for a retroactive approval from the Ministry of Economic Affairs.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

14. Segment information

The Group determined its operating segments based on business activities with discrete financial information regularly reported through the Company's internal reporting protocols to the Company's chief operating decision maker. The Company is organized into business units based on its marketing channels and services. As of June 30, 2017 and 2016, the Company had the following segments: MLM (Multi-level marketing), Distributors, and OEM (Original Equipment Manufacturer).

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(1) Income (loss), assets and liabilities for reportable segments

For the three-month period ended June 30, 2017

| | MLM | Distribution | OEM | Subtotal | Others | Adjustment/ elimination | Consolidated |
|-------------------|--------------------|------------------|------------------|--------------------|------------|----------------------------|--------------------|
| Revenue | | | | | | | |
| External customer | \$2,025,489 | \$71,523 | \$256,395 | \$2,353,407 | \$- | \$- | \$2,353,407 |
| Inter-segment | 358,121 | 32,365 | 6,540 | 397,026 | - | (397,026) | - |
| Total revenue | <u>\$2,383,610</u> | <u>\$103,888</u> | <u>\$262,935</u> | <u>\$2,750,433</u> | <u>\$-</u> | <u>\$(397,026)</u> | <u>\$2,353,407</u> |
| Segment profit | <u>\$545,337</u> | <u>\$6,863</u> | <u>\$51,070</u> | <u>\$603,270</u> | <u>\$-</u> | <u>\$-</u> | <u>\$603,270</u> |

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

For the three-month period ended June 30, 2016

| | MLM | Distribution | OEM | Subtotal | Others | Adjustment/ elimination | Consolidated |
|---------------|--------------------|------------------|-----------------|--------------------|------------|----------------------------|--------------------|
| Revenue | | | | | | | |
| External | | | | | | | |
| customer | \$2,172,618 | \$83,332 | \$94,717 | \$2,350,667 | \$- | \$- | \$2,350,667 |
| Inter-segment | 384,115 | 30,440 | 227 | 414,782 | - | (414,782) | - |
| Total revenue | <u>\$2,556,733</u> | <u>\$113,772</u> | <u>\$94,944</u> | <u>\$2,765,449</u> | <u>\$-</u> | <u>\$(414,782)</u> | <u>\$2,350,667</u> |
| Segment | | | | | | | |
| profit | <u>\$572,902</u> | <u>\$(9,565)</u> | <u>\$7,267</u> | <u>\$570,604</u> | <u>\$-</u> | <u>\$-</u> | <u>\$570,604</u> |

For the six-month period ended June 30, 2017

| | MLM | Distribution | OEM | Subtotal | Others | Adjustment/ elimination | Consolidated |
|----------------|--------------------|------------------|------------------|--------------------|------------|----------------------------|--------------------|
| Revenue | | | | | | | |
| External | | | | | | | |
| customer | \$3,867,470 | \$136,163 | \$353,703 | \$4,357,336 | \$- | \$- | \$4,357,336 |
| Inter-segment | 673,899 | 58,826 | 8,131 | 740,856 | - | (740,856) | - |
| Total revenue | <u>\$4,541,369</u> | <u>\$194,989</u> | <u>\$361,834</u> | <u>\$5,098,192</u> | <u>\$-</u> | <u>\$(740,856)</u> | <u>\$4,357,336</u> |
| Segment profit | <u>\$1,000,907</u> | <u>\$3,773</u> | <u>\$60,104</u> | <u>\$1,064,784</u> | <u>\$-</u> | <u>\$-</u> | <u>\$1,064,784</u> |

For the six-month period ended June 30, 2016

| | MLM | Distribution | OEM | Subtotal | Others | Adjustment/ elimination | Consolidated |
|----------------|--------------------|-------------------|------------------|--------------------|------------|----------------------------|--------------------|
| Revenue | | | | | | | |
| External | | | | | | | |
| customer | \$4,026,221 | \$161,625 | \$171,795 | \$4,359,641 | \$- | \$- | \$4,359,641 |
| Inter-segment | 703,033 | 56,242 | 344 | 759,619 | - | (759,619) | - |
| Total revenue | <u>\$4,729,254</u> | <u>\$217,867</u> | <u>\$172,139</u> | <u>\$5,119,260</u> | <u>\$-</u> | <u>\$(759,619)</u> | <u>\$4,359,641</u> |
| Segment profit | <u>\$1,080,224</u> | <u>\$(19,834)</u> | <u>\$7,160</u> | <u>\$1,067,550</u> | <u>\$-</u> | <u>\$-</u> | <u>\$1,067,550</u> |

¹ Revenue from Others that are operating segments that do not meet the quantitative thresholds for reportable segments.

Grape King Bio Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

² Inter-segment revenue are eliminated on consolidation and recorded under the “adjustment and elimination” column, all other adjustments and eliminations, which has not significant influence, are not disclosed below.

(2) Reconciliation of revenue, income, assets, liabilities and other significant items for reportable segments.

(1) Revenue

| | For three-month period ended June 30, | | For six-month period ended June 30, | |
|--------------------------|--|--------------------|--|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Total revenue | \$2,750,433 | \$2,765,449 | \$5,098,192 | \$5,119,260 |
| Other revenue | - | - | - | - |
| Reconciles inter-segment | (397,026) | (414,782) | (740,856) | (759,619) |
| Group revenue | <u>\$2,353,407</u> | <u>\$2,350,667</u> | <u>\$4,357,336</u> | <u>\$4,359,641</u> |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries
Endorsement/Guarantee Provided to Others
For the six-month period ended June 30, 2017

ATTACHMENT 1

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Endorsements or guarantee | | 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 Enterprise Co., Ltd. | 3 | \$2,228,332 | \$93,930 | \$93,930 | \$- | \$93,930 | 1.90% | \$2,376,887 | 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.business related parties ◦
- 2.A company in which the public company directly holds more than 50 percent of ordinary shares.
- 3.The investee company with more than 50% of the shares held by the parent company and its subsidiaries. ◦
- 4.The parent company directly holds more than 50% of the ordinary shares of the company or through subsidiaries indirectly hold more than 50% of the ordinary shares of the company.
- 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 its shareholders in proportion to their shareholding ratio ◦

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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Securities held as of June 30, 2017 (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 June 30, 2017 | | | | Note 3 | |
|---------------------|-------------------------------------|-------------------------------|----------------------------------|--|-------------------------|-------------------------|----------------|-----------------|--------|
| | | | | Shares/Units | Carrying Value (Note 2) | Percentage of Ownership | Fair Value | | |
| Grape King Bio Ltd. | Fund | - | Fuh Hwa Money Market | Financial assets at fair value through profit or loss, current | 3,487,358.30 | \$50,007 | | 50,007 | |
| | | | Fuh Hwa You Li Money Market | Financial assets at fair value through profit or loss, current | 6,730,347.50 | 90,062 | | 90,062 | |
| | | | UPAMC James Bond Money Market | Financial assets at fair value through profit or loss, current | 7,842,184.36 | 130,062 | | 130,062 | |
| | | | Paradigm Pion Money Market | Financial assets at fair value through profit or loss, current | 11,338,934.16 | 130,053 | | 130,053 | |
| | | | Hua Nan Kirin Money Market | Financial assets at fair value through profit or loss, current | 8,417,331.70 | 100,039 | | 100,039 | |
| | Total | | | | <u>500,223</u> | | <u>500,223</u> | | |
| Grape King Bio Ltd. | Stock | - | Fu-Sheng International Inc.(BVI) | Financial assets carried at cost, noncurrent | 917,700.00 | \$28,008 | 18.77% | 28,008 | Note 3 |
| | | | Hsin Tung Yang Co., Ltd. | Financial assets carried at cost, noncurrent | 2,000.00 | 20 | - | 20 | |
| | | | Total | | | <u>\$28,028</u> | | <u>\$28,028</u> | |
| Pro-partner Inc. | Fund | - | Nomura Money Market | Financial assets at fair value through profit or loss, current | 2,167,437.66 | \$35,093 | | 35,093 | |
| | | | UPAMC James Bond Money Market | Financial assets at fair value through profit or loss, current | 2,115,225.39 | 35,081 | | 35,081 | |
| | | | Total | | | <u>\$70,174</u> | | <u>\$70,174</u> | |

Note1 : The marketable securities mentioned here refer to the stocks, bonds, the beneficiary certificates, and the marketable securities derivative from the aforementioned items regulated in IAS 39"Financial Instruments : Recognition and Measurement"

Note2 : The book value of those measured by the fair value is calculated after adjusting the fair value. The book value of those that are not measured by fair value is calculated from the original cost of acquisition or the cost after amortization.

Note3 : The numbers listed represent the book value.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the six-month period ended June 30, 2017

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 | \$673,888 | 79.89% | Net 30 days after monthly closing | By contract | - | \$136,715 | 56.30% | 2 |
| Pro-partner Inc. | Grape King Bio Ltd. | Parent Company | Purchases | \$673,888 | 100.00% | Net 30 days after monthly closing | By contract | - | \$(136,715) | 99.33% | 2 |

Note1 : 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.

Note2 : The transactions have been eliminated in the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Names, locations and related information of investees as of June 30, 2017 (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 June 30, 2017 | | | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee (Note2) | Note |
|---------------------|---|------------------------|--|----------------------------|-------------------|-----------------------------|-------------------------|--------------------|-------------------------------------|---|------------|
| | | | | June 30, 2017 | December 31, 2016 | 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% | \$543,230 | \$28,145 | \$28,867 (Note1) | Subsidiary |
| | Pro-partner Inc. | Taoyuan County, Taiwan | Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc. | 15,000 | 15,000 | 10,056,000 | 60.00% | 1,171,248 | 603,655 | 362,032 (Note1) | Subsidiary |
| | Rivershine Ltd. | Taoyuan County, Taiwan | Import and selling of health food, drink, daily commodities, appliances, etc. | 30,000 | 30,000 | 3,000,000 | 100.00% | 20,312 | 7,790 | 7,790 | Subsidiary |
| | | | Total | | | | | <u>\$1,734,790</u> | | <u>\$398,689</u> | |

Note1 : The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$561 thousand has been adjusted.

Note2 : The book value at the end of the period and the current investment gain(loss) recognized have been eliminated in the consolidated financial statement.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Financing provided to others for the six-month period ended June 30, 2017

ATTACHMENT 5

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

| NO. | Capital Provider | Capital Receiver | Financial Statement Account | Related Party | Maximum Balance for the Period (US\$ in Thousands) | Ending Balance (US\$ in Thousands) | Amount Actually Drawn (US\$ in Thousands) | Interest Rate | Nature of capital (Note1) | Transaction Amounts | Reason for short term Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Amount Limits |
|-----|--|-------------------------------------|---|---------------|--|------------------------------------|---|---------------|---------------------------|---------------------|-----------------------------------|------------------------|------------|-------|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Grape King International Investment Inc. (BVI) | Shanghai Grape Enterprise Co., Ltd. | Long-term Accounts Receivable-Related Parties | YES | \$112,063 (US\$3,475) | \$88,169 (US\$2,898) | \$88,169 (US\$2,898) | - | b | - | the need for short-term financing | - | - | - | \$2,475,924 (Note2) | \$2,475,924 (Note2) |

Note1 : Nature for financing

a. business related parties

b. Those with need for short-term financing.

Note2 : The Company holds, directly or indirectly, 100% of the voting shares, the limit of total financing amount and limit for each borrowing company shall not exceed 50% of the amount of the net value of the Company of June 30, 2017.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of June 30, 2017

ATTACHMENT 6

(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>\$136,715</u> | 9.82 | <u>\$-</u> | - | <u>\$136,715</u> | <u>\$-</u> |

Note : The transactions have been eliminated in the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Intercompany relationships and significant intercompany transaction for the six-month period ended June 30, 2017

ATTACHMENT 7

(Amounts expressed in Thousands of New Taiwan Dollars)

| No. (Note1) | Company Name | Counterparty | Nature of Relations (Note2) | Intercompany Transactions | | | |
|----------------|---------------------|------------------|-----------------------------------|---------------------------|-----------|-----------------------|--|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Total Revenue or Total Assets (Note3) |
| 0 | Grape King Bio Ltd. | Pro-partner Inc. | 1 | Sales | \$673,888 | The price by contract | 15.47% |
| 0 | Grape King Bio Ltd. | Pro-partner Inc. | 1 | Accounts Receivable | \$136,715 | The price by contract | 1.41% |

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

Note2 : There are three types of relations between the parent company and the subsidiaries. Only categories should be identified.(There is no need to declare the same interaction between the parent company and the subsidiary, or the same transaction among subsidiaries repeatedly. For example,if the parent company has declared the transaction from parent company to subsidiary, the subsidiary need not repeatedly declare the same transaction. If the transaction is between subsidiaries, when one subsidiary has declared the transaction, the other subsidiary doesn't need to declare the same transaction.)

(1) represents the transactions from parent company to subsidiary.

(2) represents the transactions from subsidiary company to parent.

(3) represents the transactions between subsidiaries.

Note3 : When calculating the amount of transaction as a proportion of the consolidated revenue or assets, if it is recognized as items of assets or liabilities, the ending balance should be divided by the consolidated assets: if it is recognized as income or loss, the midterm accumulated amount should be divided by the consolidated

Note4 : The so-called significant transaction refers to those amount reaching NT\$100 million or over 20% of the paid-in capital of the parent company.