

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 SEPTEMBER 30, 2018 AND 2017
AND FOR THE NINE-MONTH PERIODS THEN ENDED
(REVIEWED BUT UNAUDITED)

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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: Grape King Bio Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Grape King Bio Ltd. (the “Company”) and its subsidiaries as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended and the consolidated statements of changes in equity and cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews and the review reports of other independent accountants (please refer to the Other Matter paragraph of our report), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of September 30, 2018 and 2017, and their consolidated financial performance for the three-month and nine-month periods
(To be continued)

(Continued)

then ended, as well as the consolidated cash flows for the nine-month periods then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting from January 1, 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

Other Matter – Making Reference to the Reviews of Other Independent Accountants

We did not review the financial statements of Pro-partner Inc., a 60%-owned subsidiary of the Company, while they were reviewed by the other auditors, which statements reflect total assets of NT\$4,299,244 thousand and NT\$4,342,033 thousand, constituting 44.01% and 47.86% of consolidated total assets as of September 30, 2018 and 2017, respectively, and total operating revenues of NT\$1,731,148 thousand and NT\$1,851,791 thousand, constituting 77.92% and 82.51% of consolidated operating revenues for the three-month periods, and total operating revenues of NT\$ 5,244,572 thousand and NT\$5,719,159 thousand, constituting 80.49% and 86.63% of consolidated operating revenues for the nine-month periods then ended, respectively. Those financial statements were reviewed by other independent accountants, whose reports thereon have been furnished to us, and our review results with respect to Pro-partner Inc. are based solely on the reports of the other independent accountants.

Hong, Mao-Yi
Lo, Hsiao-chin



Hong Mao Yi
Lo Hsiao Chin

ERNST & YOUNG
November 13th, 2018
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 September 30, 2018, December 31, 2017 and September 30, 2017 (September 30, 2018 and 2017 are Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			Liabilities and Stockholders' Equity	Notes	As of		
		September 30, 2018	December 31, 2017	September 30, 2017			September 30, 2018	December 31, 2017	September 30, 2017
Current assets					Current liabilities				
Cash and cash equivalents	3,4,6(1)	\$1,194,618	\$1,920,497	\$1,235,295	Short-term debt	4,6(14),8	\$650,000	\$300,000	\$330,000
Financial assets at fair value through profit or loss	3,4,6(2)	88,720	70,376	70,274	Contract liabilities	3,6(23)	121,964	-	-
Financial assets measured at amortized cost	3,4,6(5)	29,172	-	-	Notes payable		200	7,207	198
Debt investments without active market	3,4,6(6)	-	180,075	43,055	Accounts payable		354,170	316,108	283,407
Notes receivable, net	3,4,6(7)	4,219	5,753	4,433	Other payables	6(15)	1,362,062	1,618,259	1,282,770
Accounts receivable, net	3,4,6(8)	142,622	154,616	282,468	Other payables-related parties	7	24,031	32,773	22,241
Other receivables	3,4	15,108	6,111	8,490	Current tax liabilities	4,6(27)	160,272	250,431	137,009
Inventories, net	4,6(9)	596,673	492,058	526,384	Other current liabilities	6(16)	63,253	151,078	222,528
Prepayments	6(10)	45,722	48,892	65,689	Current portion of bonds payable	4,6(17)	-	171,207	171,459
Other current assets	6(10)	8,303	11,643	16,883	Current portion of long-term loans payable	4,6(18),8	32,527	31,974	46,518
Total current assets		2,125,157	2,890,021	2,252,971	Total current liabilities		2,768,479	2,879,037	2,496,130
Non-current assets					Non-current liabilities				
Financial assets at fair value through other comprehensive income	4,6(3)	12,004	-	-	Long-term debt	4,6(18),8	493,906	518,670	713,176
Financial assets measured at amortized cost	3,4,6(5),8	11,460	-	-	Deferred tax liabilities	4,6(27)	68,463	68,463	69,272
Financial assets measured at cost	3,4,6(4)	-	28,028	28,028	Other liabilities	6(19)	114,870	97,514	97,170
Debt investments without active market	3,4,6(6),8	-	4,460	4,460	Total non-current liabilities		677,239	684,647	879,618
Property, plant and equipment	4,6(11),8	6,267,965	6,355,416	6,268,347	Total liabilities		3,445,718	3,563,684	3,375,748
Investment properties	4,6(12)	961,768	185,985	185,985	Equity attributable to the parent company				
Intangible assets	4,6(13)	19,929	22,442	22,664	Capital	6(22)			
Deferred tax assets	4,6(27)	6,425	5,752	6,211	Common stock		1,362,864	1,352,211	1,352,142
Other assets-others	6(10)	363,417	399,552	303,291	Additional paid-in capital	6(17)(22)	958,793	800,246	799,221
Total non-current assets		7,642,968	7,001,635	6,818,986	Retained earnings	6(22)			
					Legal reserve		810,407	675,213	675,213
					Special reserve		74,671	74,671	74,671
					Unappropriated earnings		2,268,647	2,418,570	1,980,394
					Other components of equity		(73,311)	(34,603)	(36,401)
					Treasury stock	6(22)	(91,062)	(91,062)	(91,062)
					Non-controlling interests	6(22)(29)	1,011,398	1,132,726	942,031
					Total equity		6,322,407	6,327,972	5,696,209
Total assets		\$9,768,125	\$9,891,656	\$9,071,957	Total liabilities and equity		\$9,768,125	\$9,891,656	\$9,071,957

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended September 30, 2018 and 2017 (Reviewed but Unaudited)

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

	Notes	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2018	2017	2018	2017
Operating revenues	3,4,6(23),7	\$2,221,728	\$2,244,411	\$6,516,105	\$6,601,747
Operating costs		(461,944)	(398,512)	(1,311,953)	(1,035,981)
Gross profit		1,759,784	1,845,899	5,204,152	5,565,766
Operating expenses	7				
Sales and marketing	3	(976,089)	(1,136,967)	(3,097,122)	(3,613,631)
General and administrative		(138,123)	(120,862)	(362,142)	(338,594)
Research and development		(48,401)	(42,179)	(137,578)	(116,932)
Operating expenses total		(1,162,613)	(1,300,008)	(3,596,842)	(4,069,157)
Operating income		597,171	545,891	1,607,310	1,496,609
Non-operating income and expenses					
Other income	6(25),7	22,949	27,876	67,096	156,264
Other gain or losses	6(25)	923	845	(305)	(4,461)
Finance costs	6(25)	(3,235)	(4,266)	(10,621)	(13,282)
Non-operating income and expenses total		20,637	24,455	56,170	138,521
Income from continuing operations before income tax		617,808	570,346	1,663,480	1,635,130
Income tax expense	4,6(27)	(128,065)	(90,169)	(371,950)	(333,610)
Net income		489,743	480,177	1,291,530	1,301,520
Other comprehensive income (loss)	6(26)				
Items that will not be reclassified subsequently to profit or loss					
Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)		(3,700)	-	(6,383)	-
Income tax related to items that will not be reclassified subsequently		-	-	3	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(25,200)	4,517	(22,684)	(10,197)
Income tax related to items that may be reclassified subsequently		-	-	-	-
Total other comprehensive income (loss), net of tax		(28,900)	4,517	(29,064)	(10,197)
Total comprehensive income		\$460,843	\$484,694	\$1,262,466	\$1,291,323
Net income (loss) attributable to:					
Stockholders of the parent		\$338,745	\$329,664	\$888,467	\$909,545
Non-controlling interests	6(29)	150,998	150,513	403,063	391,975
		\$489,743	\$480,177	\$1,291,530	\$1,301,520
Total comprehensive income (loss) attributable to:					
Stockholders of the parent		\$309,845	\$334,181	\$859,403	\$899,348
Non-controlling interests	6(29)	150,998	150,513	403,063	391,975
		\$460,843	\$484,694	\$1,262,466	\$1,291,323
Earnings per share-basic (In NTD)	6(28)	\$2.50	\$2.45	\$6.57	\$6.75
Earnings per share-diluted (In NTD)	6(28)	\$2.49	\$2.43	\$6.53	\$6.68

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 nine-month periods ended September 30, 2018 and 2017 (Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings					Other Components of Equity		Treasury stock	Total	Non-Controlling	
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income			Interests	Total Equity
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 nine-month period ended September 30, 2017					909,545				909,545	391,975	1,301,520
Other comprehensive income, net of tax for the nine-month period ended September 30, 2017						(10,197)			(10,197)	-	(10,197)
Total comprehensive income	-	-	-	-	909,545	(10,197)	-	-	899,348	391,975	1,291,323
Treasury stock								(91,062)	(91,062)		(91,062)
Balance as of September 30, 2017	\$1,352,142	\$799,221	\$675,213	\$74,671	\$1,980,394	\$(36,401)	\$-	\$(91,062)	\$4,754,178	\$942,031	\$5,696,209
Balance as of January 1, 2018	\$1,352,211	\$800,246	\$675,213	\$74,671	\$2,418,570	\$(34,603)	\$-	\$(91,062)	\$5,195,246	\$1,132,726	\$6,327,972
Impact of retroactive applications	-	-	-	-	-	-	(9,641)	-	(9,641)	-	(9,641)
Adjusted balance as of January 1, 2018	1,352,211	800,246	675,213	74,671	2,418,570	(34,603)	(9,641)	(91,062)	5,185,605	1,132,726	6,318,331
Appropriations of prior year's earnings											
Legal reserve			135,194		(135,194)				-		-
Cash dividends					(903,199)				(903,199)	(524,391)	(1,427,590)
Shares from bonds converted	10,653	158,547							169,200	-	169,200
Net income for the nine-month period ended September 30, 2018					888,467				888,467	403,063	1,291,530
Other comprehensive income, net of tax for the nine-month period ended September 30, 2018					3	(22,684)	(6,383)		(29,064)	-	(29,064)
Total comprehensive income	-	-	-	-	888,470	(22,684)	(6,383)	-	859,403	403,063	1,262,466
Balance as of September 30, 2018	\$1,362,864	\$958,793	\$810,407	\$74,671	\$2,268,647	\$(57,287)	\$(16,024)	\$(91,062)	\$5,311,009	\$1,011,398	\$6,322,407

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 nine-month periods ended September 30, 2018 and 2017 (Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

	For the nine-month period ended September 30,			For the nine-month period ended September 30,	
	2018	2017		2018	2017
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,663,480	\$1,635,130	Disposal of financial assets measured at amortized cost	15,338	-
Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities:			Acquisition of property, plant and equipment	(859,983)	(618,812)
Depreciation	187,342	161,854	Disposal of property, plant and equipment	73	46
Amortization	5,364	4,881	Decrease (increase) in refundable deposits	(2,932)	3,798
Expected credit loss (gain) through profit or loss	(203)	(142)	Acquisition of intangible assets	(2,850)	(910)
Net gain of financial assets at fair value	(489)	(621)	Other non-financial assets	(17,015)	(2,608)
Interest expense	10,621	13,282	Net cash provided by (used in) investing activities	(867,369)	(618,486)
Interest income	(5,252)	(3,486)	Cash flows from financing activities:		
Loss from disposal of property, plant and equipment	3,387	3,452	Increase (decrease) in short-term loans	350,000	280,000
Changes in operating assets and liabilities:			Repayment of bonds payable	(3,325)	-
Financial asset held for trading	-	276,496	Repayment of long-term loans	(24,211)	(226,916)
Financial assets mandatorily measured at fair value through profit or loss	115,219	-	Increase (decrease) in deposits received	24,590	2,513
Notes receivable	1,534	641	Cash dividends	(1,427,590)	(1,287,001)
Accounts receivable	12,197	(85,919)	Cost of Treasury stock	-	(91,062)
Accounts receivable-related parties	-	2,907	Net cash provided by (used in) financing activities	(1,080,536)	(1,322,466)
Other receivables	(9,035)	(4,418)	Effect of exchange rate changes on cash and cash equivalents	(19,012)	(5,552)
Inventories	(104,615)	(91,394)	Net increase (decrease) in cash and cash equivalents	(725,879)	(664,007)
Prepayments	5,744	(31,047)	Cash and cash equivalents at beginning of period	1,920,497	1,899,302
Other current assets	3,340	(11,147)	Cash and cash equivalents at end of period	\$1,194,618	\$1,235,295
Contract liabilities	38,879	-			
Notes payable	(7,007)	(11,137)			
Accounts payable	38,062	96,670			
Other payables	(228,544)	(242,319)			
Other payables-related parties	(8,742)	-			
Advance receipts	-	99,050			
Other current liabilities	(10,688)	(40,789)			
Accrued pension liabilities	(2,702)	(13,585)			
Cash generated from operations	1,707,892	1,758,359			
Interest received	5,290	3,470			
Interest paid	(9,365)	(10,870)			
Income tax paid	(462,779)	(468,462)			
Net cash provided by (used in) operating activities	1,241,038	1,282,497			

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

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As Of September 30, 2018 And 2017 And For The Nine-month Periods Then Ended

(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 nine-month periods ended September 30, 2018 and 2017 were authorized for issuance at November 13, 2018 by the Board of Directors.

3. Newly issued or revised standards and interpretations

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

The 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 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

- (1) IFRS 15“Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

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

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

B. Sale of goods

Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group’s revenue recognition from sale of goods. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT\$83,085 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$121,964 thousand and the contract liabilities increased by NT\$121,964 thousand as of September 30, 2018.

C. The considerations paid to customers

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

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Besides, in comparison with the requirement of IAS 18, operating revenues under IFRS 15 for the three-month period ended September 30, 2018 and the nine-month period ended September 30, 2018 are decreased by NT\$208,368 thousand and NT\$632,076 thousand, respectively, selling and marketing expenses are decreased by NT\$208,368 thousand and NT\$632,076 thousand, respectively.

In accordance with the transitional provisions of IFRS 15, the Group elects to recognize the cumulative effect of initially applying IFRS15 at the date of initial application (1 January 2018). If the Group had recorded the considerations paid to customers as a reduction against revenue in accordance with IFRS 15 for the three-month and the nine-month period ended September 30, 2017, the impact on the income statement accounts then would have been as follows.

For the three-month period ended September 30, 2018

account	For the three-month period ended September 30, 2018 (Adopting IFRS 15)		For the three-month period ended September 30, 2017 (If adopting IFRS 15)		For the three-month period ended September 30, 2017 (Adopting IAS 18)	
	Amount	%	Amount	%	Amount	%
Comprehensive Income:						
Operating revenues	\$2,221,728	100.00	\$2,049,649	100.00	\$2,244,411	100.00
Operating costs	(461,944)	(20.79)	(398,512)	(19.44)	(398,512)	(17.76)
Gross profit	1,759,784	79.21	1,651,137	80.56	1,845,899	82.24
Operating expenses :						
Selling and marketing	(976,089)	(43.93)	(942,205)	(45.97)	(1,136,967)	(50.66)
General and administrative	(138,123)	(6.22)	(120,862)	(5.90)	(120,862)	(5.38)
Research and development	(48,401)	(2.18)	(42,179)	(2.06)	(42,179)	(1.88)
Operating expenses total	(1,162,613)	(52.33)	(1,105,246)	(53.93)	(1,300,008)	(57.92)
Operating income	597,171	26.88	545,891	26.63	545,891	24.32
Non-operating income and expenses	20,637	0.93	24,455	1.20	24,455	1.09
Income before income tax	617,808	27.81	570,346	27.83	570,346	25.41
Income tax expense	(128,065)	(5.77)	(90,169)	(4.40)	(90,169)	(4.01)
Net income	489,743	22.04	480,177	23.43	480,177	21.40
Total other comprehensive income, net of tax	(28,900)	(1.30)	4,517	0.22	4,517	0.20
Total comprehensive income	\$460,843	20.74	\$484,694	23.65	\$484,694	21.60

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Net income attributable to:						
Stockholders of the parent	\$338,745	15.24	\$329,664	16.09	\$329,664	14.69
Non-controlling interests	150,998	6.80	150,513	7.34	150,513	6.71
	\$489,743	22.04	\$480,177	23.43	\$480,177	21.40
Total comprehensive income attributable to:						
Stockholders of the parent	\$309,845	13.94	\$334,181	16.31	\$334,181	14.89
Non-controlling interests	150,998	6.80	150,513	7.34	150,513	6.71
	\$460,843	20.74	\$484,694	23.65	\$484,694	21.60
Earnings per share(NTD)						
Earnings per share-basic (In NT\$)	2.50		2.45		2.45	
Earnings per share-diluted (In NT\$)	2.49		2.43		2.43	

For the nine-month period ended September 30, 2018

account	For the nine-month period ended September 30, 2018 (Adopting IFRS 15)		For the nine-month period ended September 30, 2017 (If adopting IFRS 15)		For the nine-month period ended September 30, 2017 (Adopting IAS 18)	
	Amount	%	Amount	%	Amount	%
Comprehensive Income:						
Operating revenues	\$6,516,105	100.00	\$6,001,893	100.00	\$6,601,747	100.00
Operating costs	(1,311,953)	(20.13)	(1,035,981)	(17.26)	(1,035,981)	(15.69)
Gross profit	5,204,152	79.87	4,965,912	82.74	5,565,766	84.31
Operating expenses :						
Selling and marketing	(3,097,122)	(47.53)	(3,013,777)	(50.21)	(3,613,631)	(54.74)
General and administrative	(362,142)	(5.56)	(338,594)	(5.64)	(338,594)	(5.13)
Research and development	(137,578)	(2.11)	(116,932)	(1.95)	(116,932)	(1.77)
Operating expenses total	(3,596,842)	(55.20)	(3,469,303)	(57.80)	(4,069,157)	(61.64)
Operating income	1,607,310	24.67	1,496,609	24.94	1,496,609	22.67
Non-operating income and expenses	56,170	0.86	138,521	2.30	138,521	2.10
Income before income tax	1,663,480	25.53	1,635,130	27.24	1,635,130	24.77
Income tax expense	(371,950)	(5.71)	(333,610)	(5.56)	(333,610)	(5.05)
Net income	1,291,530	19.82	1,301,520	21.68	1,301,520	19.72

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Total other comprehensive income, net of tax	(29,064)	(0.45)	(10,197)	(0.17)	(10,197)	(0.16)
Total comprehensive income	\$1,262,466	19.37	\$1,291,323	21.51	\$1,291,323	19.56
Net income attributable to:						
Stockholders of the parent	\$888,467	13.63	\$909,545	15.15	\$909,545	13.78
Non-controlling interests	403,063	6.19	391,975	6.53	391,975	5.94
	\$1,291,530	19.82	\$1,301,520	21.68	\$1,301,520	19.72
Total comprehensive income attributable to:						
Stockholders of the parent	\$859,403	13.19	\$899,348	14.98	\$899,348	13.62
Non-controlling interests	403,063	6.18	391,975	6.53	391,975	5.94
	\$1,262,466	19.37	\$1,291,323	21.51	\$1,291,323	19.56
Earnings per share(NTD)						
Earnings per share-basic (In NT\$)	6.57		6.75		6.75	
Earnings per share-diluted (In NT\$)	6.53		6.68		6.68	

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

(2) IFRS 9“Financial Instruments”

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

- A. The Group adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follow:

IAS 39	Carrying amounts	IFRS 9	Carrying amounts
Measurement categories		Measurement categories	
Fair value through profit or loss	\$70,376	Fair value through profit or loss	\$70,376
Available-for-sale financial assets (including NT\$28,028 thousand measured at cost)	28,028	Equity instruments measured at fair value through other comprehensive income	18,387
At amortized cost	2,271,512	At amortized cost (including	2,271,512
Loans and receivables (including cash and cash equivalents, notes receivables, accounts receivables, debt investments without active market and other receivables)		cash and cash equivalents, notes receivables, accounts receivables, financial assets measured at amortized cost and other receivables)	
Total	<u>\$2,369,916</u>	Total	<u>\$2,360,275</u>

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

IAS 39	Carrying amounts	IFRS 9	Carrying amounts	Difference	Retained earnings Adjustment	Other components of equity Adjustment
Class of financial instruments		Class of financial instruments				
Financial assets at fair value through profit or loss (Note 1)	\$70,376	Measured at fair value through profit or loss (Note 1)	\$70,376	\$-	\$-	\$-
Available-for-sale financial assets (including investments measured at cost with initial investment cost of NT\$28,028 thousand, reported as a separate line item) (Note 2)	28,028	Equity instruments measured at fair value through other comprehensive income	18,387	(9,641)	-	(9,641)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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Loans and receivables (Note 3)

Cash and cash equivalents	1,920,497	Cash and cash equivalents	1,920,497	-	-	-
Debt investments without active market (noncurrent included)	184,535	Financial assets measured at amortized costs (noncurrent included)	184,535	-	-	-
Notes receivables	5,753	Notes receivables	5,753	-	-	-
Accounts receivables (related parties included)	154,616	Accounts receivables (include related parties)	154,616	-	-	-
Other receivables	6,111	Other receivables	6,111	-	-	-
Subtotal	<u>2,271,512</u>	Subtotal	<u>2,271,512</u>	-	-	-
Total	<u>\$2,369,916</u>	Total	<u>\$2,360,275</u>	<u>\$(9,641)</u>	<u>\$-</u>	<u>\$(9,641)</u>

Note 1: In accordance with IAS 39, financial assets classified as held for trading which measured at fair value through profit or loss might include investments in funds and stocks of listed companies. In accordance with IFRS 9, as the cash flow characteristics for funds are not solely payments of principal and interest on the principal amounts outstanding, so they are classified as financial assets mandatorily measured at fair value through profit or loss.

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

Stocks (unlisted companies)

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

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

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

As of 1 January 2018, debt investments without active market (noncurrent included) of NT\$184,535 thousand were reclassified to financial assets measured at amortized cost.

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

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

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

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

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

(a) IFRS 16 “Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

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

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

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

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

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

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

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

IFRS 3 “Business Combinations”

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

IFRS 11 “Joint Arrangements”

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

IAS 12 “Income Taxes”

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

IAS 23 “Borrowing Costs”

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a), 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.

(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.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

- (b) IFRS 17 “Insurance Contracts”

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

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

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for

incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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

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

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

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

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group determined the 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 nine-month ended September 30, 2018 and 2017 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 endorsed and become effective by the FSC.

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Except the following 4(3) ~ 4(8), 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, 2017. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2017.

(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, 2017. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2017.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			September 30, 2018	December 31, 2017	September 30, 2017
The Company	Pro-partner Inc. (Pro-partner) (NOTE 2)	Sales	60%	60%	60%
The Company	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI) (GKBVI)	Investment	100%	100%	100%
The Company	Rivershine Ltd. (Rivershine)	Sales	100%	100%	100%

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(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

The Company	Dongpu Biotech Corporation	Sales	100% (NOTE 1)	-	-
GKBVI	Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Manufacturing and Sales	100%	100%	100%
GKBVI	Shanghai Rivershine Ltd. (Shanghai Rivershine)	Sales	100%	100%	100%

Note 1: Dongpu Biotech Corporation was established in June 2018 as wholly-owned subsidiary of the company.

Note 2: The financial statements of Pro-partner Inc. are based solely on the reports of the other auditors. As of September 30, 2018 and 2017, total assets of Pro-partner Inc. were NT\$4,299,244 thousand and NT\$4,342,033 thousand, and the operating revenues for the three-month and nine-month periods then ended were NT\$1,731,148 thousand, NT\$1,851,791 thousand, NT\$5,244,572 thousand and NT\$5,719,159 thousand, respectively.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

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

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

(5) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follow:

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

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

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

Financial assets measured at amortized cost

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

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

Financial asset measured at fair value through profit or loss

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

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

The accounting policy before 1 January 2018 was as follow:

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

B. Impairment of financial assets

The accounting policy from 1 January 2018 is as follow:

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

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

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

The loss allowance is measures as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

The accounting policy before 1 January 2018 was as follow:

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

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

Other loss events include:

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

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the

difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(6) Revenue recognition

The accounting policy from 1 January 2018 as follow:

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

Sale of goods

The Group manufactures and sells of goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount

for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 30 to 135 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

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

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

The accounting policy before 1 January 2018 was as follow:

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

Sale of goods

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

Rendering of services

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

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

Interest income

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

Dividends

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

(7) 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.

(8) 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. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

5. Significant accounting judgements, 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.

Except the following 5(1)~5(2), the significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month and nine-month periods ended September 30, 2018 are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2017. 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, 2017.

1. Revenue recognition – sales returns and allowance

Starting from January 1, 2018:

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

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Before January 1, 2018:

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

2. Accounts receivables – estimation of impairment loss

Starting from January 1, 2018:

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

Before January 1, 2018:

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	\$5,679	\$3,546	\$4,267
Checkings and savings	1,081,902	1,138,371	922,715
Repurchase agreements collateralized by corporate bonds	-	249,790	99,840
Repurchase agreements collateralized by bonds	107,037	528,790	208,473
Total	<u>\$1,194,618</u>	<u>\$1,920,497</u>	<u>\$1,235,295</u>

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

	As of		
	September 30, 2018	December 31, 2017 (Note)	September 30, 2017(Note)
Mandatorily measured at fair value through profit or loss:			
Structured deposit	<u>\$88,720</u>		

	As of		
	September 30, 2018 (Note)	December 31, 2017	September 30, 2017
Financial assets held for trading:			
Monetary fund		\$70,000	\$70,065
Valuation adjustments		307	174
Subtotal		<u>70,307</u>	<u>70,239</u>
Embedded Derivatives:			
Right of redemption		69	35
Total		<u>\$70,376</u>	<u>\$70,274</u>

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Current	\$88,720	\$70,376	\$70,274
Non-current	-	-	-
Total	\$88,720	\$70,376	\$70,274

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

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

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

	As of		
	September 30, 2018	December 31, 2017 (Note)	September 30, 2017 (Note)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:			
Unlisted companies stocks	\$12,004		

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

a. As of January 1, 2016, the Company invested US\$917 thousand (equivalent to NT\$28,008 thousand) for 917,700 shares, representing 19% interest, of Fu-sheng International Inc. (Samoa). In 2016, the Company didn't participate an offering conducted by Fu-sheng International Inc. (Samoa) and its ownership interest in Fu-sheng International Inc. (Samoa) was reduced to 18.77%.

b. Financial assets at fair value through other comprehensive income were not pledged.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

(4) Financial assets measured at cost

	As of		
	September 30, 2018 (Note)	December 31, 2017	September 30, 2017
Unlisted companies stocks		\$28,028	\$28,028
		\$-	\$-
Current		28,028	28,028
Non-current		\$28,028	\$28,028
Total		\$28,028	\$28,028

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

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

Financial assets measured at cost were not pledged.

(5) Financial assets measured at amortized cost

	As of		
	September 30, 2018	December 31, 2017 (Note)	September 30, 2017 (Note)
Time deposits	\$40,632		

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

	As of		
	September 30, 2018	December 31, 2017 (Note)	September 30, 2017 (Note)
Current	\$29,172		
Non-current	11,460		
Total	<u>\$40,632</u>		

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

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

(6) Debt investments without active market

	As of		
	September 30, 2018 (Note)	December 31, 2017	September 30, 2017
Time deposits		\$184,535	\$47,515

	As of		
	September 30, 2018 (Note)	December 31, 2017	September 30, 2017
Current		\$180,075	\$43,055
Non-current		4,460	4,460
Total		<u>\$184,535</u>	<u>\$47,515</u>

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

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

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

(7) Notes receivables

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivables arising from operating activities	\$4,219	\$5,753	\$4,457
Less: loss allowance	-	-	(24)
Total	<u>\$4,219</u>	<u>\$5,753</u>	<u>\$4,433</u>

Notes receivables were not pledged.

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

(8) Accounts receivables

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Accounts receivables	\$145,867	\$158,064	\$285,730
Less: loss allowance	(3,245)	(3,448)	(3,262)
Total	<u>\$142,622</u>	<u>\$154,616</u>	<u>\$282,468</u>

Accounts receivable which is expected to be outstanding for over one year have been recast for overdue receivable. Please refer to Note 6 (10).

Accounts receivables were not pledged.

Accounts receivables are generally on the collection term of 30-135 days. The Group adopts IFRS 9 for impairment assessment since January 1, 2018 in considering the factors such as the counterparty and area to distinguish the different groups and to adopt the expected credit loss rate during the continuation period. The estimated loss ratio was small at September 30, 2018.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

	Accounts receivables
As of January 1, 2018(in accordance with IAS 39)	\$3,448
Beginning adjusted retained earnings	-
As of January 1, 2018(in accordance with IFRS 9)	3,448
Charge/(reversal) for the current period	(203)
Exchange differences	-
As of September 30, 2018	<u>\$3,245</u>

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

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$-	\$3,428	\$3,428
Charge/(reversal) for the current period	-	(142)	(142)
Exchange differences	-	-	-
As of September 30, 2017	<u>\$-</u>	<u>\$3,286</u>	<u>\$3,286</u>

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

As of	Neither past due nor impaired	Past due but not impaired:			Total
		<=90 days	90~180days	>180 days	
September 30, 2018	\$135,202	\$7,344	\$65	\$11	\$142,622
December 31, 2017	145,643	8,700	262	11	154,616
September 30, 2017	275,068	2,779	2,163	2,458	282,468

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

(9) Inventories

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Raw materials	\$189,176	\$106,816	\$129,467
Supplies	23,162	28,614	29,353
Semi-finished goods and Work in process	153,901	158,357	165,893
Finished goods	228,804	193,936	196,331
Merchandises	1,630	4,335	5,340
Total	<u>\$596,673</u>	<u>\$492,058</u>	<u>\$526,384</u>

- a. The cost of inventories recognized in expenses in amount of NT\$461,944 thousand, NT\$398,512 thousand, NT\$1,311,953 thousand and NT\$1,035,981 thousand for the three-month periods and nine-month periods ended September 30, 2018 and 2017, respectively, including the write-down of inventories, is detailed as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Inventory loss on retirement	\$221	\$3,257	\$9,687	\$10,274
Loss(gain) from physical taking	(164)	(803)	(643)	(1,255)
Total	<u>\$57</u>	<u>\$2,454</u>	<u>\$9,044</u>	<u>\$9,019</u>

- b. No inventories were pledged.

(10) Prepayments and Other Assets

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Prepayment for purchase	\$25,595	\$23,000	\$44,623
Prepaid rental on land	43,449	46,023	46,318
Prepayment for equipment	252,680	307,293	206,314
Office Supplies	8,110	6,199	8,532
Other prepaid expenses	12,018	19,694	12,534
Other current assets	8,303	11,643	16,883
Refundable deposits	26,415	23,483	25,107

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(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Overdue receivable	2,267	2,267	2,244
Less: loss allowance	(2,267)	(2,267)	(2,244)
Defined benefit asset	1,104	-	2,745
Other noncurrent assets-other	39,768	22,752	22,807
Total	\$417,442	\$460,087	\$385,863
Current	\$54,025	\$60,535	\$82,572
Non-current	363,417	399,552	303,291
Total	\$417,442	\$460,087	\$385,863

- a. The amount recognized under the caption of “prepaid rental on land” is 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 rent the land for constructing the manufacturing plant from October 1997 to March 2044. All fees were paid in full when the lease agreement was entered into and have been 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 holds collateral for other receivables of NT\$ 2,244 thousand.

(11) Property, plant and equipment

	Land		Building	Machinery	Vehicle	Leasehold improvement	Other facilities	Construction in progress	Total
	Land	Improvement							
Cost:									
As of Jan. 1, 2018	\$3,055,915	\$1,974	\$3,167,264	\$1,167,117	\$12,973	\$34,635	\$344,919	\$311,633	\$8,096,430
Additions	-	-	323,463	17,170	4,646	1,200	66,569	337,381	750,429
Disposals	-	-	-	(170)	(28,874)	(4,512)	(1,655)	-	(35,211)
Transfers	(627,200)	-	(187,608)	66,627	-	50	3,682	38,510	(705,939)
Ex. Diff.	-	-	(10,258)	(32,817)	28,797	(72)	(548)	-	(14,898)
As of Sep. 30, 2018	\$2,428,715	\$1,974	\$3,292,861	\$1,217,927	\$17,542	\$31,301	\$412,967	\$687,524	\$8,090,811
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	12,427	35,991	903	27,573	20,729	243,947	341,690
Disposals	(15,777)	-	(379)	(34,472)	(538)	-	(1,903)	-	(53,069)
Transfers	-	914	57,088	71,160	-	-	(6,222)	(95,216)	27,724

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(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Ex. Diff.	-	-	(5,209)	(2,992)	(42)	(37)	(266)	-	(8,546)
As of Sep. 30, 2017	\$3,055,915	\$1,974	\$3,162,058	\$1,193,339	\$12,598	\$34,626	\$334,936	\$200,778	\$7,996,224

Accumulated

Depreciation:

As of Jan. 1, 2018	\$-	\$687	\$616,686	\$857,073	\$7,696	\$10,050	\$248,822	\$-	\$1,741,014
Depreciation	-	214	95,371	57,154	1,389	4,280	28,934	-	187,342
Disposals	-	-	-	(26,053)	-	(4,511)	(1,187)	-	(31,751)
Transfers	-	-	(67,049)	-	-	-	-	-	(67,049)
Ex. Diff.	-	-	(3,203)	(2,956)	(65)	(33)	(453)	-	(6,710)
As of Sep. 30, 2018	\$-	\$901	\$641,805	\$885,218	\$9,020	\$9,786	\$276,116	\$-	\$1,822,846

As of Jan. 1, 2017	\$-	\$427	\$509,156	\$865,226	\$7,330	\$5,470	\$216,439	\$-	\$1,604,048
Depreciation	-	188	81,847	48,769	994	3,177	26,879	-	161,854
Disposals	-	-	(150)	(31,234)	(538)	-	(1,872)	-	(33,794)
Transfers	-	-	-	-	-	-	-	-	-
Ex. Diff.	-	-	(1,326)	(2,641)	(35)	(15)	(214)	-	(4,231)
As of Sep. 30, 2017	\$-	\$615	\$589,527	\$880,120	\$7,751	\$8,632	\$241,232	\$-	\$1,727,877

Net carrying
amount as of:

Sep. 30, 2018	\$2,428,715	\$1,073	\$2,651,056	\$332,709	\$8,522	\$21,515	\$136,851	\$687,524	\$6,267,965
Dec. 31, 2017	\$3,055,915	\$1,287	\$2,550,578	\$310,044	\$5,277	\$24,585	\$96,097	\$311,633	\$6,355,416
Sep. 30, 2017	\$3,055,915	\$1,359	\$2,572,531	\$313,219	\$4,847	\$25,994	\$93,704	\$200,778	\$6,268,347

- 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 below:

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

- b. Please refer to Note 8 for details on property, plant and equipment under pledge.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(12) Investment property

	Land	Building	Investment Properties under construction	Total	Accumulated depreciation	Net
As of January 1, 2018	\$185,985	\$-	\$-	\$185,985	\$-	\$185,985
Transfers	627,200	215,632	-	842,832	(67,049)	775,783
As of September 30, 2018	<u>\$813,185</u>	<u>\$215,632</u>	<u>\$-</u>	<u>\$1,028,817</u>	<u>\$(67,049)</u>	<u>\$961,768</u>
As of January 1, and September 30, 2017	<u>\$185,985</u>	<u>\$-</u>	<u>\$-</u>	<u>\$185,985</u>	<u>\$-</u>	<u>\$185,985</u>

(a) No investment property was pledged.

(b) Investment properties held by the Group are not measured at fair value while its fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties held by the Group is NT\$1,261,514 thousand and NT\$247,692 thousand, as of September 30, 2018 and 2017, respectively. The fair value has been determined based on the publicly announced current land value, and building value.

(c) The investment property - land listed above includes a piece of agricultural land in amount of NT\$5,600 thousand, which has been acquired due to a settlement of doubtful accounts by the Company but registered under the name of the Company's chairman, Mr. Tseng. The Company has obtained a guaranteed note amounting NT\$5,600 thousand from Mr. Tseng for security purpose.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(13) Intangible assets

	Computer software	Trademark	Total
Cost:			
As of January 1, 2018	\$19,042	\$15,049	\$34,091
Addition-acquired separately	2,850	-	2,850
As of September 30, 2018	<u>\$21,892</u>	<u>\$15,049</u>	<u>\$36,941</u>
As of January 1, 2017	\$16,627	\$15,049	\$31,676
Addition-acquired separately	910	-	910
As of September 30, 2017	<u>\$17,537</u>	<u>\$15,049</u>	<u>\$32,586</u>
Accumulated Amortization:			
As of January 1, 2018	\$5,433	\$6,216	\$11,649
Amortization	2,420	2,944	5,364
Ex. Diff.	(1)	-	(1)
As of September 30, 2018	<u>\$7,852</u>	<u>\$9,160</u>	<u>\$17,012</u>
As of January 1, 2017	\$2,751	\$2,290	\$5,041
Amortization	1,937	2,944	4,881
As of September 30, 2017	<u>\$4,688</u>	<u>\$5,234</u>	<u>\$9,922</u>
Net carrying amount as of:			
September 30, 2018	<u>\$14,040</u>	<u>\$5,889</u>	<u>\$19,929</u>
December 31, 2017	<u>\$13,609</u>	<u>\$8,833</u>	<u>\$22,442</u>
September 30, 2017	<u>\$12,849</u>	<u>\$9,815</u>	<u>\$22,664</u>

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Selling and marketing expenses	<u>\$30</u>	<u>\$-</u>	<u>\$91</u>	<u>\$-</u>
General administrative expenses	<u>\$1,831</u>	<u>\$1,656</u>	<u>\$5,273</u>	<u>\$4,881</u>

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(14) Short-term borrowings

	Interest Rates (%)	As of		
		September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank loans	0.98%	\$50,000	\$200,000	\$150,000
Secured bank loans	0.98%~1.05%	600,000	100,000	180,000
		<u>\$650,000</u>	<u>\$300,000</u>	<u>\$330,000</u>

The Group's unused short-term lines of credits amount to NT\$1,800,000 thousand, NT\$1,750,000 thousand, and NT\$1,720,000 thousand, as of September 30, 2018, December 31, 2017, and September 30, 2017, respectively.

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

(15) Other Payables

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Bonus to direct sellers	\$712,994	\$858,166	\$727,151
Salaries and incentive bonus	164,687	125,426	114,194
Bonus to employees	139,929	254,218	192,654
Bonus to directors and supervisors	21,163	64,609	21,599
Other accrued expenses	187,960	112,857	139,268
Payables on equipment	98,104	125,378	31,135
Accrued VAT payable	32,889	65,895	36,287
Others	4,336	11,710	20,482
Total	<u>\$1,362,062</u>	<u>\$1,618,259</u>	<u>\$1,282,770</u>

Grape King Bio Ltd. and Subsidiaries

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(REVIEWED BUT UNAUDITED)

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(16) Other current liabilities

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Sales revenue received in advance	\$-	\$83,085	\$146,547
Unearned rent	5,304	5,256	5,679
Provisions for sales returns and allowances	(Note)	2,831	2,831
Refund liability	2,831	(Note)	(Note)
Other current liabilities-other	55,118	59,906	67,471
Total	\$63,253	\$151,078	\$222,528

Note: The Group accounts for the sales returns and allowances in accordance with IFRS 15 since 1 January 2018.

Provisions for sales returns and allowances

	Sales returns and allowances	
As of January 1, 2017	\$7,500	
Write off	(4,669)	
As of September 30, 2017	\$2,831	
	As of	
	December 31, 2017	September 30, 2017
Current	\$2,831	\$2,831
Non-current	-	-
Total	\$2,831	\$2,831

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 September 30, 2018, the actual sale return totaled to NT\$4,669 thousand.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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(17) Bonds payable

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Domestic convertible bonds	\$-	\$171,207	\$171,459
Less: current portion	-	(171,207)	(171,459)
Net	\$-	\$-	\$-

a. Domestic convertible bonds payable

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Liability component:			
Principal amount	\$-	\$172,100	\$173,200
Interest Payable Refund from Bond Conversion	-	1,294	1,302
Premiums (discounts) on bonds payable	-	(2,187)	(3,043)
Subtotal	-	171,207	171,459
Less: current portion	-	(171,207)	(171,459)
Net	\$-	\$-	\$-
Embedded derivative—Redemption	\$-	\$69	\$35
Equity component—Convertible	\$-	\$7,792	\$7,842

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

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

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

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

(c) Secured or unsecured: Unsecured bonds.

(d) Terms of Exchange:

① Underlying Securities: Common shares of the Company

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

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

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

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

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

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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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. On August 26, 2018, the Company repaid and cancelled the bonds amounting to NT\$3,300 thousand plus interest compensation NT\$25 thousand. Accordingly capital reserve due to share option in amount of NT\$150 thousand were transferred to capital reserve from expired share option. There were bonds payable in amount of NT\$996,700 thousand, NT\$827,900 thousand, and NT\$826,800 thousand converted into shares as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

(18) Long-term loan

Details of long-term loan as of September 30, 2018, December 31, 2017 and September 30, 2017 are as follows:

Lenders	As of September 30, 2018	Interest Rate (%)	Maturity and Terms
Secured Long-Term Loan from ChangHwa Commercial Bank	\$175,868	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	350,565	1.44%	Effective May 27, 2015 to May 24, 2035. Principal is repaid with interest payments due monthly.

Grape King Bio Ltd. and Subsidiaries

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Subtotal	526,433
Less: current portion	(32,527)
Total	<u>\$493,906</u>

Lenders	As of December 31, 2017	Interest Rate (%)	Maturity and terms
Secured Long-Term Loan from ChangHwa Commercial Bank	\$186,195	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	364,449	1.44%	Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly.
Subtotal	<u>550,644</u>		
Less: current portion	<u>(31,974)</u>		
Total	<u>\$518,670</u>		

Lenders	As of September 30, 2017	Interest Rate (%)	Maturity and Terms
Secured Long-Term Loan from ChangHwa Commercial Bank	\$390,650	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	369,044	1.44%	Effective May 27, 2015 to May 24, 2035. Principal is repaid with interest payments due monthly.
Subtotal	<u>759,694</u>		
Less: current portion	<u>(46,518)</u>		
Total	<u>\$713,176</u>		

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

Grape King Bio Ltd. and Subsidiaries

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(19) Other noncurrent liabilities

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Other long-term payables	\$16,343	\$16,032	\$16,195
Accrued pension liabilities	1,943	3,540	1,682
Guarantee deposit received	47,972	23,382	23,382
Other noncurrent liabilities-other	48,612	54,560	55,911
Total	\$114,870	\$97,514	\$97,170

(20) Operating leases

Operating lease commitments – Group as 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 September 30, 2018, Shanghai Grape King has received prepaid rents, recorded under the caption of advances received, for the period of seven years and six months. The movement schedule of prepaid rents is listed as follows:

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Beginning balance	\$57,720	\$63,855	\$63,855
Prepaid rent added in current period	-	10,832	8,078
Rent income recognized in current period	(3,605)	(16,039)	(12,128)
Exchange difference	(1,507)	(928)	(1,072)
Ending balance of prepaid rent	\$52,608	\$57,720	\$58,733

Advances received for operating leases are as follows:

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Other current liabilities	\$4,642	\$4,777	\$4,762
Other non-current liabilities-other	47,966	52,943	53,971
Total	\$52,608	\$57,720	\$58,733

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Operating lease commitments – Group as lessee

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

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Within one year	\$40,297	\$44,551	\$45,077
From one year to five years	56,176	80,303	85,847
Total	\$96,473	\$124,854	\$130,924

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

Operating lease expenses recognized are as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Minimum lease payments	\$12,933	\$15,559	\$44,445	\$44,954

(21) Post-employment benefits

Defined Contribution plan

Expenses under the defined contribution plan for the three-month periods ended September 30, 2018 and 2017 were NT\$8,123 thousand and NT\$6,569 thousand, respectively, while for the nine-month periods ended September 30, 2018 and 2017 were NT\$22,831 thousand and NT\$18,543 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the three-month periods ended September 30, 2018 and 2017 were NT\$152 thousand and NT\$208 thousand, respectively, while for the nine-month periods ended September 30, 2018 and 2017 were NT\$457 thousand and NT\$624 thousand, respectively.

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(22) Equity

(a) Common stock

The Company has 150,000 thousand authorized shares of which 136,286 thousand shares, 135,221 thousand shares and 135,214 thousand shares were issued as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively, each share at par value of NT\$10. Each share possesses one voting right and a right to receive dividends.

During 2017, the unsecured convertible bonds in amount of NT\$1,100 thousand were converted into 6,849 shares at par value of NT\$69 thousand. For the nine-month period ended September 30, 2018, the unsecured convertible bonds in amount of NT\$168,800 thousand were converted into 1,065,313 shares at par value of NT\$10,653 thousand. But 488,125 shares at par value of NT\$4,881 thousand in these shares have not yet been legally registered for the capital change as of September 30, 2018. While the Board has resolved in a meeting held on November 13, 2018 the measurement date to be at November 16, 2018.

(b) Capital reserve

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Source of capital reserve			
Treasury share transactions	\$4,363	\$4,363	\$4,363
Convertible bonds-share option	-	7,792	7,842
Convertible bonds- expired share option	150	-	-
Additional paid-in capital	954,280	788,091	787,016
Total	\$958,793	\$800,246	\$799,221

According to the 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 September 30, 2018 was NT\$91,062 thousand.

(d) Retained earnings and dividend policy

A. Retained earnings

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

B. Dividend policy

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

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C. Legal reserve

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

D. Special reserve

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

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

E. Details of the Company's 2017 and 2016 earnings distribution and dividends per share as approved in the shareholders' meeting held on May 29, 2018 and June 13, 2017 were listed as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2017	2016	2017	2016
Legal reserve	\$135,194	\$129,677		
Common stock — cash dividend	903,199	862,120	6.7	6.4

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

F. Information regarding Pro-Partner's 2017 and 2016 earnings distribution and dividends per share as approved in the annual shareholders' meeting held on April 19, 2018 and April 27, 2017, respectively, were listed as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2017	2016	2017	2016
Legal reserve	\$145,698	\$147,538		
Common stock—cash dividend	1,310,978	1,062,201	74.49	60.35

G. Non-controlling interests

	For the nine-month period ended September 30,	
	2018	2017
Beginning balance	\$1,132,726	\$974,937
Profit attributable to non-controlling interests	403,063	391,975
Cash dividends to non-controlling interests	(524,391)	(424,881)
Ending balance	\$1,011,398	\$942,031

(23) Operating revenue

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018 (Note)	2017	2018 (Note)	2017
Sale of goods	\$1,843,493	\$1,961,423	\$5,533,995	\$6,013,674
Revenue arising from rendering of services	378,235	282,988	982,110	588,073
Total	\$ 2,221,728	\$2,244,411	\$6,516,105	\$6,601,747

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

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

(1) Disaggregation of revenue

For three-month period ended September 30, 2018

	MLM	Distribution	OEM	Total
Sale of goods	\$1,731,148	\$82,492	\$29,902	\$1,843,542
Revenue arising from rendering of services	-	-	378,186	378,186
Total	<u>\$1,731,148</u>	<u>\$82,492</u>	<u>\$408,088</u>	<u>\$2,221,728</u>

Revenue recognition point:

At a point in time	<u>\$1,731,148</u>	<u>\$82,492</u>	<u>\$408,088</u>	<u>\$2,221,728</u>
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For nine-month period ended September 30, 2018

	MLM	Distribution	OEM	Total
Sale of goods	\$5,244,572	\$216,169	\$73,254	\$5,533,995
Revenue arising from rendering of services	-	-	982,110	982,110
Total	<u>\$5,244,572</u>	<u>\$216,169</u>	<u>\$1,055,364</u>	<u>\$6,516,105</u>

Revenue recognition point:

At a point in time	<u>\$5,244,572</u>	<u>\$216,169</u>	<u>\$1,055,364</u>	<u>\$6,516,105</u>
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(2) Contract balances

A. Contract liabilities – current

	Beginning balance	Ending balance	Difference
Sales of goods	\$1,293	\$1,424	\$131
Revenue arising from rendering of services	81,792	120,540	38,748
Total	<u>\$83,085</u>	<u>\$121,964</u>	<u>\$38,879</u>

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The difference between the balance of the Group's contractual liabilities on September 30, 2018 and the beginning balance was due to the partial consideration received from customers and to be recognized as income upon the related performance obligations being satisfied subsequently.

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

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

	For the three-month period ended September 30,					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries & wages	\$57,457	\$150,379	\$207,836	\$52,785	\$132,212	\$184,997
Labor and health insurance	5,041	8,668	13,709	4,188	7,524	11,712
Pension	4,732	3,543	8,275	3,686	3,091	6,777
Other employee benefits	2,385	2,569	4,954	2,066	4,603	6,669
Depreciation	36,414	30,175	66,589	32,805	22,200	55,005
Amortization	-	1,861	1,861	-	1,656	1,656

	For the nine-month period ended September 30,					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries & wages	\$161,671	\$567,390	729,061	\$148,038	\$541,626	\$689,664
Labor and health insurance	14,091	23,423	37,514	11,624	22,543	34,167
Pension	13,240	10,048	23,288	10,162	9,005	19,167
Other employee benefits	6,613	7,405	14,018	5,633	13,195	18,828
Depreciation	108,017	79,325	187,342	98,938	62,916	161,854
Amortization	-	5,364	5,364	-	4,881	4,881

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

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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 Board of Directors' resolution regarding employees' compensation and remuneration to directors and supervisors can be obtained from "Market Observation Post System" on the website of TWSE.

Based on profit of the nine-month period ended September 30, 2018, the Company has made an accrual 8% and 2% of profit as employees' compensation and remuneration to directors and supervisors respectively. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended September 30, 2018 amounted to NT\$31,050 thousand and NT\$7,762 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2018 amounted to NT\$84,653 thousand and NT\$21,163 thousand, respectively.

Employees' compensation and remuneration to directors and supervisors for the three-month period ended September 30, 2017 amount to NT\$28,019 thousand and NT\$7,005 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2017 amount to NT\$86,394 thousand and NT\$21,599 thousand, respectively. The employee's compensation and remuneration to directors and supervisors were calculated based on current profitability and recognized as salaries. If employee compensation is distributed in form of share. The number of share to be distributed shall be calculated based on the closing trade price on the date prior to the board resolution date. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will record the difference as an adjustment to current income.

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

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.

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Pro-partner Inc., estimated the employee compensation and remuneration to directors amounting to NT\$55,366 thousand and NT\$69,207 thousand, respectively, for the nine - month period ended September 30, 2018. 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 NT\$53,300 thousand and NT\$66,626 thousand, respectively, for the nine-month period ended September 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.'s distributions of employee compensation and remuneration to directors for 2017 amounting NT\$78,579 thousand and NT\$98,224 thousand approved by the Board of Directors were consistent with the amounts recognized.

(25) Non-operating incomes and expenses

(a) Other incomes

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Interest income from bank deposits(Note)	\$-	\$1,083	\$-	\$3,486
Financial assets measured at amortized cost	1,990	(Note)	5,252	(Note)
Rental revenue	4,655	4,892	14,034	13,895
Compensation revenue	-	6,500	-	93,497
Other Incomes	16,304	15,401	47,810	45,386
Total	\$22,949	\$27,876	\$67,096	\$156,264

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

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(b) Other gains and losses

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Loss from disposal of fixed assets	\$67	\$(2,709)	\$(2,826)	\$(3,424)
Foreign exchange loss, net	773	794	2,233	(1,460)
Gain from financial assets at fair value through P/L(Note)	131	150	489	621
Others	(48)	2,610	(201)	(198)
Total	<u>\$923</u>	<u>\$845</u>	<u>\$(305)</u>	<u>\$(4,461)</u>

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

(c) Finance costs

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Imputed interest on deposit	\$63	\$64	\$193	\$158
Interest on borrowings from bank	3,070	3,363	9,104	10,646
Interest on corporate bond	102	839	1,324	2,478
Total	<u>\$3,235</u>	<u>\$4,266</u>	<u>\$10,621</u>	<u>\$13,282</u>

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(26) Components of other comprehensive income

For the three-month period ended September 30, 2018

	<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>
Not to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(3,700)	\$-	\$(3,700)
Income tax related to non- reclassified items	-	-	-
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating financial statements of foreign operations	(25,200)	-	(25,200)
Total of other comprehensive income	<u>\$(28,900)</u>	<u>\$-</u>	<u>\$(28,900)</u>

For the three-month period ended September 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	\$4,517	\$-	\$4,517

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For the nine-month period ended September 30, 2018

	Arising during the period	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:			
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(6,383)	\$-	\$(6,383)
Income tax related to non- reclassified items	3	-	3
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating financial statements of foreign operations	(22,684)	-	(22,684)
Total of other comprehensive income	\$(29,064)	\$-	\$(29,064)

For the nine-month period ended September 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	\$(10,197)	\$-	\$(10,197)

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(27) Income tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

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

Income tax expense (income) recognized in profit or loss

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Current income tax expense (benefit):				
Current income tax charge	\$128,518	\$115,409	\$374,559	\$341,604
Adjustments in respect of current income tax of prior periods	(4)	(24,164)	(1,724)	(24,164)
Deferred income tax expense (benefit):				
Deferred income tax expense (benefit) related to origination and reversal of temporary difference	(234)	(1,076)	(512)	16,170
The effect of tax rate change	(48)	-	(188)	-
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(167)	-	(185)	-
Total income tax expense	\$128,065	\$90,169	\$371,950	\$333,610

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Income tax relating to components of other comprehensive income

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Deferred tax expense (benefit):				
Exchange differences on translation of foreign operations	\$-	\$-	\$-	\$-

Tax assessment

As of September 30, 2018, the status of assessment from tax authority for the Company and Pro-partner Inc. are listed as follows:

	Status
The Company	Assessed and approved up to 2016
Pro-partner Inc.	Assessed and approved up to 2015
Rivershine Ltd.	Assessed and approved up to 2016

(28) Earnings per share

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

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$338,745	\$329,664	\$888,467	\$909,545

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Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	135,664	134,706	135,223	134,755
Basic earnings per share (in NT\$)	\$2.50	\$2.45	\$6.57	\$6.75
	For the three-month period ended September 30,		For the nine-month period ended September 30,	
(b) Diluted earnings per share	2018	2017	2018	2017
Profit attributable to ordinary equity holders of the Company(in thousand NT\$)	\$338,745	\$329,664	\$888,467	\$909,545
Interest expense from convertible bonds(in thousand NT\$)	98	827	1,286	2,441
Gain or loss on valuation of redemption	-	87	63	52
Profit attributable to ordinary equity holders of the Company after dilution(in thousand NT\$)	\$338,843	\$330,578	\$889,816	\$912,038
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	135,664	134,706	135,223	134,755
Effect of dilution:				
Employee bonus—stock (in thousand shares)	395	473	517	660
Convertible bond—stock (in thousand shares)	132	1,079	577	1,044
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	136,191	136,258	136,317	136,459
Diluted earnings per share (in NT\$)	\$2.49	\$2.43	\$6.53	\$6.68

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.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(29) Subsidiary that has material non-controlling interests

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

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	As of		
		September 30, 2018	December 31, 2017	September 30, 2017
Pro-partner	Taiwan, Republic of China	40%	40%	40%

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Accumulated balances of material non- controlling interest:			
Pro-partner	<u>\$1,011,398</u>	<u>\$1,132,726</u>	<u>\$942,031</u>

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Profit/(loss) allocated to material non-controlling interest:				
Pro-partner	<u>\$150,998</u>	<u>\$150,513</u>	<u>\$403,063</u>	<u>\$391,975</u>

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

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Summarized information of profit or loss for the three-month periods and the nine-month periods ended September 30, 2018 and 2017 is as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Operating revenue	\$1,731,148	\$1,851,791	\$5,244,572	\$5,719,159
Profit/loss from continuing operation	\$377,495	\$376,282	\$1,007,657	\$979,937
Total comprehensive income for the period	\$377,495	\$376,282	\$1,007,657	\$979,937

Summarized information of financial position as of September 30, 2018, December 31, 2017 and September 30, 2017 is as follows:

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$567,127	\$1,404,149	\$826,371
Non-current assets	3,751,432	3,567,526	3,537,539
Current liabilities	(1,267,999)	(1,617,545)	(1,292,378)
Non-current liabilities	(522,066)	(522,315)	(716,455)

Summarized cash flow information for the nine-month periods ended September 30, 2018 and 2017 is as follows:

	For the nine -month periods ended September 30,	
	2018	2017
Operating activities	\$803,029	\$706,421
Investing activities	(241,807)	(29,789)
Financing activities	(1,333,256)	(1,271,510)
Net increase/(decrease) in cash and cash equivalents	(772,034)	(594,878)

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7. Related party transactions

(1) Name of related party and the relation

Name of related party	Relation with the Group
Laifu Limited Company (Laifu)	Related party in substance
Pu Hsing Enterprise Co.,Ltd.(Pu Hsing)	A director of Pro-partner
Taipei City Pro-partner Technology and Human Development Foundation (Pro-partner Foundation)	Pro-partner is its sole founder
Integrate Chinese Medicine Holdings Ltd.	Supervisor of Pro-partner(from June 3, 2015 to June 2, 2018)
Gongju Co.,Ltd(Gongju)	Supervisor of Pro-partner(from June 3, 2018 to June 2, 2021)
Chih-Sheng Chang	A supervisor of the Company
Chang-Yeh Tseng	The Chairman of Pro-partner
Mei-Ching Tseng	General manager of Pro-partner
Pu-Lin Ltd. (Pu-Lin)	Related party in substance of Pro-partner (NOTE)

NOTE: Please refer to Note 9(3).

(2) Significant transactions with related parties

a. Sales

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Laifu	\$-	\$(107)	\$-	\$(338)
Pu Hsing	333	334	987	1,008
Gongju	22	-	28	-
Total	\$355	\$227	\$1,015	\$670

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 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.

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b. Other payables to related parties

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Pu Hsing	\$11,567	\$16,402	\$11,137
Integrate Chinese Medicine Holdings Ltd.	-	16,371	11,104
Gongju	12,464	-	-
Total	\$24,031	\$32,773	\$22,241

c. Refundable deposits

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Pu-Lin	\$1,068	\$1,068	\$1,068

d. Guarantee deposit received

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Pro-partner Foundation	\$2	\$-	\$-

e. Temporary Receipts

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Mei-Ching Tseng	\$17,607	\$17,607	\$17,607

f. Advance receipts

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Pu Hsing	\$3	\$-	\$-

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g. Sales and marketing expenses – commission

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Pu Hsing	\$97	\$97	\$292	\$290
Gongju	1,450	-	1,984	-
Total	<u>\$1,547</u>	<u>\$97</u>	<u>\$2,276</u>	<u>\$290</u>

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

h. General and administrative expenses – rental

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Pu-Lin	\$1,051	\$1,050	\$3,150	\$3,149
Chih-Sheng Chang	-	360	480	1,080
Chang-Yeh Tseng	-	360	480	1,080
Total	<u>\$1,051</u>	<u>\$1,770</u>	<u>\$4,110</u>	<u>\$5,309</u>

The rental paid to the above related parties and normal rental prices were similar and comparable. The term of payment was either on a monthly basis or in full at beginning of each year except for the payment to Pu-Lin being in advance for six months. Prepaid rents amounted to NT\$220 thousand, NT\$1,269 thousand and NT\$220 thousand as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

i. General and administrative – donations

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Pro-partner Foundation	<u>\$600</u>	<u>\$300</u>	<u>\$600</u>	<u>\$500</u>

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j. Revenue from rental assets

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Pu Hsing	\$3	\$3	\$9	\$9
Pro-partner Foundation	3	3	10	8
Gongju	3	-	7	-
Total	\$9	\$6	\$26	\$17

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.

k. Other revenue

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Gongju	\$3	\$-	\$3	\$-

l. Key management personnel compensation

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Short-term employee benefits	\$44,020	\$46,878	\$174,629	\$165,073
Post-employment benefits	83	66	259	198
Total	\$44,103	\$46,944	\$174,888	\$165,271

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8. Assets pledged as collaterals

The following assets are pledged as collaterals.

Assets pledged	As of			Purpose of pledge
	September 30, 2018	December 31, 2017	September 30, 2017	
Property, plant and equipment-land	\$1,921,301	\$1,921,301	\$1,921,301	For long-term and short-term secured loans.
Property, plant and equipment-building	1,092,309	1,032,702	1,040,985	For long-term and short-term secured loans.
Debt investments without active market-pledged time deposits	(Note)	4,460	4,460	For leasing land and operating center from Science-based Park.
Financial assets measured at amortized cost-pledged time deposits	11,460	(Note)	(Note)	For Chinese Petroleum Corporation natural gas, leasing land and operating center at Science-based Park.
Total	\$3,025,070	\$2,958,463	\$2,966,746	

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

9. Commitments and contingencies

- (1) The Company's guarantee notes issued to banks for credit lines amounted to NT\$250,000 thousand.
- (2) The Company entered into a contract for plant and machinery. Total contract amount is NT\$1,055,000 thousand while NT\$519,525 thousand remained unpaid as of September 30, 2018.

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- (3) For operational needs, Pro-partner has to establish operational bases in Taoyuan, Hsinchu, Fengyuan, Taichung, Kaohsiung, Pingzhen, Jhongli, Hualien and Tainan. The information concerning the operating leases sustained as of September 30, 2018 is listed below.

Operation Sites	Lessor	The lease term	Monthly rental
Taoyuan City	Taoyuan Irrigation Association	2016.11.9~2019.11.8	180
Hsinchu 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	2018.1.1~2020.12.31	236
Pingzhen Dist.	The Company	2018.4.1~2019.3.31	48
Chungli Dist.	The Company	2017.4.1~2022.3.31	1
HuaLian City	Liou, Chuen-Hou, Liou, Chuen-Lung	2017.9.1~2019.8.31	130
Tainan City	Cathay Life Insurance Company, Ltd.	2016.3.21~2021.7.31	823

NOTE: According to the general manager of Pro-partner Inc., Pu-Lin Ltd. has been funded solely by herself while it has registered under the name of Yide Lin as the sole director and shareholder. On August 29, 2017, Taiwan Taichung District Court decides that NT\$8.5 million out of total capital contribution of NT\$12.5 million shall be changed and registered for under the name of the general manager of Pro-partner Inc. As a result, the rental expenditures that Pro-partner Inc. paid to Pu-Lin Ltd. were accounted for as related party transactions and disclosed in Note 7 to these financial statements. Though, the general manager of Pro-partner Inc. appeals from the Court decision. As of the issuance date of these consolidated financial statements, no further progress from the Court is obtained yet.

- (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 NT\$19,780 thousand to be paid in 24 installments during 2 years. As of September 30, 2018, the software system mentioned above has been partially delivered and utilized while, the rest remains in testing status or installation.
- (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

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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 related commission in amount of NT\$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. 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 consolidated 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>	<u>As of</u>		
	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>September 30,</u> <u>2017</u>
<u>Financial asset at fair value through P/L:</u>			
Held for trading	(Note 1)	\$70,307	\$70,239
Mandatorily measured at Fair value through P/L	88,720	(Note 1)	(Note 1)
Designated financial asset at fair value through P/L	-	69	35
Subtotal	88,720	70,376	70,274
Financial assets at fair value through OCI	12,004	(Note 1)	(Note 1)
Available-for-sale financial assets (Note 2)	(Note 1)	28,028	28,028

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Financial assets measured at amortized cost (Note 3)	1,397,199	(Note 1)	(Note 1)
Loans and receivables (Note 4)	(Note 1)	2,271,512	1,578,201
Total	<u>\$1,497,923</u>	<u>\$2,369,916</u>	<u>\$1,676,503</u>

Financial liabilities

	As of		
	September 30, 2018	December 31, 2017	September 30, 2017
Financial liabilities at amortized cost:			
Short-term loans	\$650,000	\$300,000	\$330,000
Notes payable	200	7,207	198
Accounts payable	354,170	316,108	283,407
Other payables	1,362,062	1,618,259	1,282,770
Other payables – related parties	24,031	32,773	22,241
Bonds payable (current portion included)	-	171,207	171,459
Long-term loans(current portion included)	526,433	550,644	759,694
Other long-term payables	16,343	16,032	16,195
Total	<u>\$ 2,933,239</u>	<u>\$3,012,230</u>	<u>\$2,865,964</u>

Note:

- 1) The Group adopted IFRS 9 since 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.
- 2) Balances as at 31 December 2017 and 30 September 2017 including financial assets measured at cost.
- 3) Including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivables and other receivables.
- 4) Including cash and cash equivalents, notes receivable, accounts receivables, bond investments with no active market and other receivables.

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(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.

(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

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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 nine-month periods ended September 30, 2018 and 2017 decreased/increased by NT\$9,847 thousand and NT\$9,348 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 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 nine-month periods ended September 30, 2018 and 2017 to increased/decreased by NT\$40 thousand and NT\$142 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 nine-month periods ended September 30, 2018 and 2017 to increase/decrease by NT\$4,436 thousand and NT\$3,514 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.

There is no concentration of credit risk of a single customer for the nine-month periods ended September 30, 2018 and 2017. 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.

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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 September 30, 2018</u>						
Short-term loans	\$650,528	\$-	\$-	\$-	\$-	\$650,528
Notes payable	200	-	-	-	-	200
Accounts payable(related parties included)	354,170	-	-	-	-	354,170
Other payables(related parties included)	1,180,114	205,979	-	-	-	1,386,093
Long-term payables	-	-	-	-	16,343	16,343
Long-term loans (current portion included)	20,028	20,028	40,057	120,170	385,401	585,684
<u>As of December 31, 2017</u>						
Short-term loans	\$300,193	\$-	\$-	\$-	\$-	\$300,193
Notes payable	6,513	694	-	-	-	7,207
Accounts payable(related parties included)	316,108	-	-	-	-	316,108
Other payables(related parties included)	1,444,845	206,187	-	-	-	1,651,032
Bonds payable(current portion included)	-	173,394	-	-	-	173,394
Long-term loans (current portion included)	20,093	20,413	40,825	122,476	423,877	627,684
Long-term payables	-	-	-	-	16,032	16,032
<u>As of September 30, 2017</u>						
Short-term loans	\$330,204	\$-	\$-	\$-	\$-	\$330,204
Notes payable	198	-	-	-	-	198
Accounts payable	283,407	-	-	-	-	283,407
Other payables(related parties included)	1,100,890	204,121	-	-	-	1,305,011
Bonds payable(current portion included)	-	171,459	-	-	-	171,459
Long-term loans (current portion included)	28,715	29,049	58,433	175,298	569,069	860,564

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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as at 30 September 2018:

	Short-term borrowings	Long-term borrowings	Guarantee deposit received	Repayment of bonds payable	Cash dividends	Total liabilities from financing activities
As at 1 January 2018	\$300,000	\$550,644	\$23,382	\$-	\$-	\$874,026
Cash flows	350,000	(24,211)	24,590	(3,325)	(1,427,590)	(1,080,536)
As at 30 September 2018	\$650,000	\$526,433	\$47,972	\$(3,325)	\$(1,427,590)	\$(206,510)

Reconciliation of liabilities as at 30 September 2017: Not applicable

(7) Fair values of financial instruments

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

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

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of

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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.).
- (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		
	September 30, 2018	December 31, 2017	September 30, 2017	September 30, 2018	December 31, 2017	September 30, 2017
Financial liabilities :						
Bonds payable (current portion)	\$-	\$171,207	\$171,459	\$-	\$171,876	\$172,299

- (c) Fair value measurement hierarchy for financial instruments

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

(8) 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 September 30, 2018 and 2017 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(17) for further information on this transaction.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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. and Subsidiaries

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(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 September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Structured deposit	\$88,720	\$-	\$-	\$88,720
Financial assets at fair value through other comprehensive income				
Stocks	-	-	12,004	12,004
Total	<u>\$88,720</u>	<u>\$-</u>	<u>\$12,004</u>	<u>\$100,724</u>

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Monetary fund	\$70,307	\$-	\$-	\$70,307
Embedded derivative	-	-	69	69
Total	<u>\$70,307</u>	<u>\$-</u>	<u>\$69</u>	<u>\$70,376</u>

As of September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Monetary fund	\$70,239	\$-	\$-	\$70,239
Embedded Derivatives	-	-	35	35
Total	<u>\$70,239</u>	<u>\$-</u>	<u>\$35</u>	<u>\$70,274</u>

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Transfers between Level 1 and Level 2 during the period

During the nine-month periods ended September 30, 2018 and 2017, there were no transfer between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period of September 30, 2018 and 2017 are as follows:

	Assets		
	At fair value through PL	At fair value through OCI	Sub-total
	Derivatives	Stocks	
Beginning balances as of January 1, 2018	\$69	\$28,028	\$28,097
Retrospectively recognized in other equity at the beginning of the period	-	(9,641)	(9,641)
Bonds conversion	(6)	-	(6)
Total gains and losses recognized for three-month period ended September 30, 2018:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(63)	-	(63)
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	(6,383)	(6,383)
Ending balances as of September 30, 2018	\$-	\$12,004	\$12,004

	Assets		
	At fair value through PL	At fair value through OCI	Sub-total
	Derivatives	Stocks	
Beginning balances as of January 1, 2017	\$87	\$-	\$87
Total gains and losses recognized for three-month period ended September 30, 2017:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(52)	-	(52)
Ending balances as of September 30, 2017	\$35	\$-	\$35

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Total gains and losses recognized in profit or loss for the nine-month ended September 30, 2018 and 2017 in the table above contain gains and losses related to assets on hand as of September 30, 2018 and 2017 in the amount of \$(63) thousand and \$(52) 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:

As of September 30, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	30.00%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$171 thousand

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As of December 31, 2017

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

As of September 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	32.68%	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 NT\$17/0 thousand

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- (c) 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 September 30, 2018

	<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(12))	\$-	\$-	\$1,261,514	\$1,261,514
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(17))	\$-	\$-	\$-	\$-

As of December 31, 2017

	<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(12))	\$-	\$-	\$247,831	\$247,831
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(17))	\$-	\$-	\$171,876	\$171,876

As of September 30, 2017

	<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(12))	\$-	\$-	\$247,692	\$247,692

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Financial liabilities not measured at fair value but for which the fair value is disclosed:

Bonds payable (please refer to Note 6(17))

\$- \$- \$172,299 \$172,299

(10) Significant assets and liabilities denominated in foreign currencies

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

	<u>As of September 30, 2018</u>			<u>As of December 31, 2017</u>		
	<u>Foreign</u>	<u>Foreign</u>		<u>Foreign</u>	<u>Foreign</u>	
	<u>currencies</u>	<u>exchange</u>	<u>NTD</u>	<u>currencies</u>	<u>exchange</u>	<u>NTD</u>
		<u>rate</u>			<u>rate</u>	
<u>Financial assets</u>						
Monetary items:						
USD	\$4,296	30.38	\$130,514	\$4,319	29.84	\$128,880
 <u>Financial liabilities</u>						
Monetary items:						
USD	\$1,050	30.52	\$32,046	\$1,227	29.83	\$36,610
 <u>As of September 30, 2017</u>						
	<u>Foreign</u>	<u>Foreign</u>				
	<u>currencies</u>	<u>exchange</u>	<u>NTD</u>			
		<u>rate</u>				
<u>Financial assets</u>						
Monetary items:						
USD	\$4,082	30.20	\$123,270			
 <u>Financial liabilities</u>						
Monetary items:						
USD	\$987	30.17	\$29,786			

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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 for each currency with significant influence. The Foreign exchange gains or losses of the Company amounted to NT\$2,233 thousand and NT\$(1,460) thousand respectively on September 30, 2018 and 2017.

(11) Capital management

The same summarized quantitative information of capital management have been applied in the Company's consolidated financial statements for the nine-month period ended September 30, 2018 as those applied in the Company's consolidated financial statements for the year ended December 31, 2017. For the related information please refer to Note 12(10) of the Company's consolidated financial statements for year ended December 31, 2017.

13. Other disclosure

(1) Information at significant transactions

- a. Financing provided to others for the nine-month period ended September 30, 2018: None
- b. Endorsement/Guarantee provided to others for the nine-month period ended September 30, 2018: Please refer to attachment 1.
- c. Securities held as of September 30, 2018: 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 nine-month period ended September 30, 2018: None
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine-month period ended September 30, 2018: None

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- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine-month period ended September 30, 2018: None
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the nine-month period ended September 30, 2018: Please refer to attachment 3.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of September 30, 2018: Please refer to attachment 5.
- i. Financial instruments and derivative transactions: None
- j. Intercompany relationships and significant intercompany transaction: Please refer to attachment 6.

(2) Information on investees

- 1. Names, locations and related information of investees as of September 30, 2018 (excluding the investment in Mainland China): Please refer to attachment 4.
- 2. Information at significant transactions
 - a. Financing provided to others for the nine-month period ended September 30, 2018: None
 - b. Endorsement/Guarantee provided to others for the nine-month period ended September 30, 2018: None
 - c. Securities held as of September 30, 2018: 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 nine-month period ended September 30, 2018: None
 - e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine-month period ended September 30, 2018: None

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- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine-month period ended September 30, 2018: None
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the nine-month period ended September 30, 2018: Please refer to attachment 3.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of September 30, 2018: None
- i. Financial instruments and derivative transactions: None

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(3) Information on investments in mainland China :

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

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated Investment Outflows from Taiwan as of January 1, 2018	Investment Flows		Accumulated Investment Outflows from Taiwan as of September 30, 2018	Net Income (Loss) of Investee Company	Percentage of Direct or Indirect Ownership	Investment Profit (Loss) Recognized (Note 2)	Carrying Amount as at September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018
					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 (USD27,350 thousand)	\$168,270 (Note 2 (2)B)	100%	\$168,591 (Note 2(2)B)	\$727,670	\$-
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	US\$4,890 thousand	(Note 1(2)) (Note 4)	\$26,794 (USD 878 thousand)	\$-	\$-	\$26,794 (USD 878 thousand)	\$- (Note 2(3))	18.77%	\$- (Note 2(3))	\$11,961 (Note 2(3))	\$-

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(REVIEWED BUT UNAUDITED)

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Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	US\$150 thousand	(Note 1(2)) (Note 5)	\$4,060 (USD 150 thousand)	\$-	\$-	\$4,060 (USD 150 thousand)	\$256 (Note 2 (2)B)	100%	\$256 (Note 2 (2)B)	\$4,540	\$-
Dongpu Biotech Corporation	Biotechnology R&D and transfer; Sales: biological products, special foods (health foods), food materials, food packaging materials, cosmetics, daily necessities; commission agents (excluding auctions); import and export of goods.	RMB5,000 thousand	(Note 1(1)) (Note 6)	\$-	\$23,200 (RMB 5,000 thousand)	\$-	\$23,200 (RMB5,000 thousand)	\$567 (Note 2 (2)B)	100%	\$548 (Note 2 (2)B)	\$22,710	\$-

Accumulated investment in Mainland China as of September 30, 2018	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$901,726	\$901,726	\$3,793,444

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

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 fair value through other comprehensive income.

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

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

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

Note 6: The Company directly invested in Dongpu Biotech Corporation. As of issuance date of the consolidated financial statements, the Company is applying for a retroactive approval from the Ministry of Economic Affairs.

Grape King Bio Ltd. and Subsidiaries

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 September 30, 2018 and 2017, 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), for reportable segments

For the three-month period ended September 30, 2018

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination (Note)	Consolidated
Revenue						
External customer	\$1,731,148	\$82,492	\$408,088	\$2,221,728	\$-	\$2,221,728
Inter-segment	330,631	35,885	6,571	373,087	(373,087)	-
Total revenue	<u>\$2,061,779</u>	<u>\$118,377</u>	<u>\$414,659</u>	<u>\$2,594,815</u>	<u>\$(373,087)</u>	<u>\$2,221,728</u>
Segment profit	<u>\$509,321</u>	<u>\$3,854</u>	<u>\$104,633</u>	<u>\$617,808</u>	<u>\$-</u>	<u>\$617,808</u>

Grape King Bio Ltd. and Subsidiaries

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 September 30, 2017

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination (Note)	Consolidated
Revenue						
External						
customer	\$1,851,689	\$80,519	\$312,203	\$2,244,411	\$-	\$2,244,411
Inter-segment	326,127	30,894	3,882	360,903	(360,903)	-
Total revenue	\$2,177,816	\$111,413	\$316,085	\$2,605,314	\$(360,903)	\$2,244,411
Segment						
profit	\$514,726	\$(3,994)	\$59,614	\$570,346	\$-	\$570,346

For the nine-month period ended September 30, 2018

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination (Note)	Consolidated
Revenue						
External						
customer	\$5,244,572	\$216,169	\$1,055,364	\$6,516,105	\$-	\$6,516,105
Inter-segment	997,889	90,600	13,777	1,102,266	(1,102,266)	-
Total revenue	\$6,242,461	\$306,769	\$1,069,141	\$7,618,371	\$(1,102,266)	\$6,516,105
Segment						
profit	\$1,402,583	\$4,702	\$256,195	\$1,663,480	\$-	\$1,663,480

For the nine-month period ended September 30, 2017

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination (Note)	Consolidated
Revenue						
External						
customer	\$5,719,159	\$216,682	\$665,906	\$6,601,747	\$-	\$6,601,747
Inter-segment	1,000,026	89,720	12,013	1,101,759	(1,101,759)	-
Total revenue	\$6,719,185	\$306,402	\$677,919	\$7,703,506	\$(1,101,759)	\$6,601,747
Segment						
profit	\$1,515,633	\$(221)	\$119,718	\$1,635,130	\$-	\$1,635,130

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed In Thousands of New Taiwan Dollars Unless Otherwise Specified)

Note:

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

(2) Reconciliation of revenue, income.

(1) Revenue

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
Total revenue	\$2,594,815	\$2,605,314	\$7,618,371	\$7,703,506
Elimination of inter-segment revenue	(373,087)	(360,903)	(1,102,266)	(1,101,759)
Group revenue	\$2,221,728	\$2,244,411	\$6,516,105	\$6,601,747

(2) Profit or loss

	For three-month period ended September 30,		For nine-month period ended September 30,	
	2018	2017	2018	2017
Total income (Loss)	\$617,808	\$570,346	\$1,663,480	\$1,635,130
Other income (Loss)	-	-	-	-
Elimination of inter-segment profit	-	-	-	-
Pre-tax income	\$617,808	\$570,346	\$1,663,480	\$1,635,130

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the nine-month period ended September 30, 2018

ATTACHMENT I

(Amounts Expressed in Thousands of New Taiwan Dollars)

Endorsements or guarantees provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note1)	Name	Company Name	Relationship (Note2)										
0	Grape King Bio Ltd.	Shanghai Grape King Enterprise Co., Ltd.	2	\$2,216,085	\$93,930	\$-	\$-	\$-	-%	\$2,363,824	Y	N	Y

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

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

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

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Securities held as of September 30, 2018 (excluding investments in subsidiaries, associates and joint venture)

ATTACHMENT2

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

Company Held Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	As of September 30, 2018				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Grape King Bio Ltd.	Stock							
	Fu-Sheng International Inc.(SAMOA)	-	Financial assets at fair value through other comprehensive income, noncurrent	917,700.00	\$28,008	18.77%	\$11,961	
	Hsin Tung Yang Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,000.00	20	-	43	
	Total		Financial assets at fair value through other comprehensive income, valuation adjustments		(16,024)		-	
					<u>\$12,004</u>		<u>\$12,004</u>	

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 NTS\$100 million or 20 percent of the capital stock for the nine-month period ended September 30, 2018

ATTACHMENT3

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note1)		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of total Purchases (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)	
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	\$997,889	78.05%	Net 30 days after monthly closing	By contract	-	\$111,738	52.69%	2
Pro-partner Inc.	Grape King Bio Ltd.	Parent Company	Purchases	\$997,889	100.00%	Net 30 days after monthly closing	By contract	-	\$(111,738)	99.93%	2

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

Note 2: 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 September 30, 2018 (excluding the investment in Mainland China)

ATTACHMENT 4

(Amounts in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Business	Original Investment Amount		Balance as of September 30, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee(Note2)	Note
				September 30, 2018	December 31, 2017	Shares	Percentage of Ownership	Book Value (Note2)			
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI)	BVI	Investment activities	\$1,198,018	\$1,198,018	24,890,000	100.00%	\$779,554	\$169,795	\$170,116 (Note1)	Subsidiary
	Pro-partner Inc.	Taoyuan City, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	10,560,000	60.00%	1,501,644	1,007,657	604,815 (Note1)	Subsidiary
	Rivershine Ltd.	Taoyuan City, Taiwan	Import and selling of health food, drink, daily commodities, appliances, etc.	30,000	30,000	3,000,000	100.00%	31,088	2,677	2,677	Subsidiary
			Total					<u>\$2,312,286</u>		<u>\$777,608</u>	

Note 1: The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$542 thousand has been adjusted.

Note 2: 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

Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of September 30, 2018

ATTACHMENT 5

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

Company Name	Related Party	Nature of Relationships	Ending Balance (Note)		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>\$111,738</u>	11.10	<u>\$-</u>	-	<u>\$111,738</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 nine-month period ended September 30, 2018

ATTACHMENT 6

(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	\$997,889	The price by contract	15.31%
0	Grape King Bio Ltd.	Pro-partner Inc.	1	Accounts Receivable	\$111,738	The price by contract	1.14%

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

Note 2: 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.

Note 3: 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.

Note 4: 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.