

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 MARCH 31, 2019 AND 2018
AND FOR THE THREE-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 March 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-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 March 31, 2019 and 2018, and their consolidated financial performance and cash flows for the three-month periods then

(To be continued)

(Continued)

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.

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\$5,277,954 thousand and NT\$5,159,705 thousand, constituting 47.85% and 51.41% of consolidated total assets as of March 31, 2019 and 2018, respectively, and total operating revenues of NT\$1,682,202 thousand and NT\$1,584,326 thousand, constituting 83.54% and 81.99% of consolidated operating revenues for the three-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



ERNST & YOUNG

May 13th, 2019

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 March 31, 2019, December 31, 2018 and March 31, 2018 (March 31, 2019 and 2018 are Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Assets | Notes | As of | | | Liabilities and Stockholders' Equity | Notes | As of | | |
|---|-----------|---------------------|----------------------|---------------------|--|-------------|---------------------|----------------------|---------------------|
| | | March 31, 2019 | December 31, 2018 | March 31, 2018 | | | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Current assets | | | | | Current liabilities | | | | |
| Cash and cash equivalents | 4,6(1) | \$1,999,899 | \$2,050,224 | \$1,993,698 | Short-term debt | 4,6(13),8 | \$950,000 | \$800,000 | \$450,000 |
| Financial assets at fair value through profit or loss | 4,6(2) | - | - | 170,465 | Contract liabilities | 6(22) | 46,964 | 106,317 | 78,502 |
| Financial assets measured at amortized cost | 4,6(4) | 29,460 | 38,214 | 43,535 | Notes payable | | 2,835 | 1,756 | 2,775 |
| Notes receivable, net | 4,6(5) | 3,494 | 3,597 | 3,149 | Accounts payable | | 173,964 | 260,479 | 166,695 |
| Accounts receivable, net | 4,6(6) | 143,116 | 167,648 | 103,117 | Other payables | 6(14) | 1,369,828 | 1,686,465 | 1,333,873 |
| Other receivables | 4 | 5,265 | 3,818 | 2,761 | Other payables-related parties | 7 | 42,002 | 35,622 | 39,383 |
| Other receivables-related parties | 7 | 12 | - | - | Current tax liabilities | 4,6(27) | 391,965 | 303,844 | 329,934 |
| Inventories, net | 4,6(7) | 551,593 | 562,831 | 442,879 | Lease liabilities | 3,4,6(23),7 | 41,526 | - | - |
| Prepayments | 6(9) | 49,926 | 61,943 | 50,285 | Other current liabilities | 6(15) | 44,055 | 49,514 | 51,607 |
| Other current assets | 6(9) | 8,193 | 4,708 | 15,056 | Current portion of bonds payable | 4,6(16) | - | - | 113,355 |
| Total current assets | | 2,790,958 | 2,892,983 | 2,824,945 | Current portion of long-term loans payable | 4,6(18),8 | 26,005 | 26,012 | 31,942 |
| | | | | | Total current liabilities | | 3,089,144 | 3,270,009 | 2,598,066 |
| Non-current assets | | | | | Non-current liabilities | | | | |
| Financial assets at fair value through other comprehensive income | 4,6(3) | 12,912 | 10,892 | 16,664 | Long-term debt | 4,6(18),8 | 286,285 | 292,795 | 510,661 |
| Financial assets measured at amortized cost | 4,6(4),8 | 11,460 | 11,460 | 4,460 | Provisions | 4,6(17) | 5,260 | - | - |
| Investments accounted for using the equity method | 4,6(8) | 6,512 | - | - | Deferred tax liabilities | 4,6(27) | 68,628 | 68,628 | 68,463 |
| Property, plant and equipment | 4,6(10),8 | 6,225,037 | 5,926,655 | 6,435,257 | Lease liabilities | 3,4,6(23),7 | 154,228 | - | - |
| Right-of-use assets | 3,4,6(23) | 243,677 | - | - | Other liabilities | 6(19) | 82,930 | 83,347 | 96,214 |
| Investment properties | 4,6(11) | 1,483,413 | 1,485,928 | 185,985 | Total non-current liabilities | | 597,331 | 444,770 | 675,338 |
| Intangible assets | 4,6(12) | 19,090 | 20,141 | 20,781 | Total liabilities | | 3,686,475 | 3,714,779 | 3,273,404 |
| Deferred tax assets | 4,6(27) | 7,512 | 8,032 | 5,522 | Equity attributable to the parent company | 6(21) | | | |
| Other assets-others | 6(9) | 229,321 | 291,958 | 541,841 | Capital | | | | |
| Total non-current assets | | 8,238,934 | 7,755,066 | 7,210,510 | Common stock | | 1,362,864 | 1,362,864 | 1,355,866 |
| | | | | | Additional paid-in capital | 6(16)(21) | 965,244 | 965,244 | 855,162 |
| | | | | | Retained earnings | 6(21) | | | |
| | | | | | Legal reserve | | 810,407 | 810,407 | 675,213 |
| | | | | | Special reserve | | 74,671 | 74,671 | 74,671 |
| | | | | | Unappropriated earnings | | 2,938,955 | 2,676,265 | 2,678,883 |
| | | | | | Other components of equity | | (46,948) | (68,094) | (34,883) |
| | | | | | Treasury stock | 6(21) | (91,062) | (91,062) | (91,062) |
| | | | | | Non-controlling interests | 6(21)(29) | 1,329,286 | 1,202,975 | 1,248,201 |
| | | | | | Total equity | | 7,343,417 | 6,933,270 | 6,762,051 |
| Total assets | | \$11,029,892 | \$10,648,049 | \$10,035,455 | Total liabilities and equity | | \$11,029,892 | \$10,648,049 | \$10,035,455 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31, 2019 and 2018 (Reviewed but Unaudited)

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

| | Notes | For the three-month period ended March 31, | |
|---|---------|--|-------------|
| | | 2019 | 2018 |
| Operating revenues | 6(22),7 | \$2,013,684 | \$1,932,426 |
| Operating costs | | (375,610) | (392,162) |
| Gross profit | | 1,638,074 | 1,540,264 |
| Operating expenses | 7 | | |
| Selling and marketing | | (1,010,822) | (940,111) |
| General and administrative | | (121,768) | (99,257) |
| Research and development | | (34,116) | (41,111) |
| Operating expenses total | | (1,166,706) | (1,080,479) |
| Operating income | | 471,368 | 459,785 |
| Non-operating income and expenses | | | |
| Other incomes | 6(25),7 | 26,521 | 20,445 |
| Other gains and losses | 6(25) | (3,464) | (1,870) |
| Finance costs | 6(25) | (4,137) | (3,838) |
| Share of profit or loss of associates | 6(8) | (35) | - |
| Non-operating income and expenses total | | 18,885 | 14,737 |
| Income from continuing operations before income tax | | 490,253 | 474,522 |
| Income tax expense | 4,6(27) | (101,252) | (98,734) |
| Net income | | 389,001 | 375,788 |
| 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) | | 2,020 | (1,723) |
| Income tax related to items that will not be reclassified subsequently | | - | - |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 19,389 | 11,084 |
| Exchange differences on translation of foreign operations of associates | | (263) | - |
| Income tax related to items that may be reclassified subsequently | | - | - |
| Total other comprehensive income, net of tax | | 21,146 | 9,361 |
| Total comprehensive income | | \$410,147 | \$385,149 |
| Net income attributable to: | | | |
| Stockholders of the parent | | \$262,690 | \$260,313 |
| Non-controlling interests | 6(29) | 126,311 | 115,475 |
| | | \$389,001 | \$375,788 |
| Total comprehensive income attributable to: | | | |
| Stockholders of the parent | | \$283,836 | \$269,674 |
| Non-controlling interests | 6(29) | 126,311 | 115,475 |
| | | \$410,147 | \$385,149 |
| Earnings per share-basic (NTD) | 6(28) | \$1.93 | \$1.93 |
| Earnings per share-diluted (NTD) | 6(28) | \$1.93 | \$1.92 |

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 three-month periods ended March 31, 2019 and 2018 (Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollar)

| | Common Stock | Additional Paid-in Capital | Retained Earnings | | | Exchange Differences on Translation of Foreign Operations | Other Components of equity | | Treasury stock | Total | Non-Controlling Interests | Total Equity |
|---|--------------|-------------------------------|-------------------|--------------------|----------------------------|---|---|------------|-------------------|-------------|------------------------------|--------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income | | | | | |
| 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 | |
| Shares from bonds converted | 3,655 | 54,916 | | | | | | | 58,571 | - | 58,571 | |
| Net income for the three-month period ended March 31, 2018 | | | | | 260,313 | | | | 260,313 | 115,475 | 375,788 | |
| Other comprehensive income, net of tax for the three-month period ended March 31, 2018 | | | | | | 11,084 | (1,723) | | 9,361 | - | 9,361 | |
| Total comprehensive income | - | - | - | - | 260,313 | 11,084 | (1,723) | - | 269,674 | 115,475 | 385,149 | |
| Balance as of March 31, 2018 | \$1,355,866 | \$855,162 | \$675,213 | \$74,671 | \$2,678,883 | \$(23,519) | \$(11,364) | \$(91,062) | \$5,513,850 | \$1,248,201 | \$6,762,051 | |
| Balance as of January 1, 2019 | \$1,362,864 | \$965,244 | \$810,407 | \$74,671 | \$2,676,265 | \$(50,958) | \$(17,136) | \$(91,062) | \$5,730,295 | \$1,202,975 | \$6,933,270 | |
| Net income for the three-month period ended March 31, 2019 | | | | | 262,690 | | | | 262,690 | 126,311 | 389,001 | |
| Other comprehensive income, net of tax for the three-month period ended March 31, 2019 | | | | | | 19,126 | 2,020 | | 21,146 | - | 21,146 | |
| Total comprehensive income | - | - | - | - | 262,690 | 19,126 | 2,020 | - | 283,836 | 126,311 | 410,147 | |
| Balance as of March 31, 2019 | \$1,362,864 | \$965,244 | \$810,407 | \$74,671 | \$2,938,955 | \$(31,832) | \$(15,116) | \$(91,062) | \$6,014,131 | \$1,329,286 | \$7,343,417 | |

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 three-month periods ended March 31, 2019 and 2018 (Reviewed but Unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

| | For the three-month period ended March 31, | | | For the three-month periods ended March 31, | |
|---|--|-----------------|--|---|---------------------------|
| | 2019 | 2018 | | 2019 | 2018 |
| Cash flows from operating activities: | | | Cash flows from investing activities: | | |
| Net income before tax | \$490,253 | \$474,522 | Disposal of financial assets measured at amortized cost | 8,538 | 134,330 |
| Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities: | | | Acquisition of investments accounted for using the equity method | (6,810) | - |
| Depreciation | 76,579 | 57,527 | Acquisition of property, plant and equipment | (329,241) | (346,245) |
| Amortization | 2,018 | 1,742 | Disposal of property, plant and equipment | 92 | 23 |
| Expected credit loss (gain) | - | (179) | (Increase) decrease in refundable deposits | (799) | (3,334) |
| Net gain of financial assets at fair value through profit or loss | - | (111) | Acquisition of intangible assets | (921) | (81) |
| Interest expense | 4,137 | 3,838 | Other non-financial assets | 89 | 10 |
| Interest income | (1,084) | (1,809) | Net cash provided by (used in) investing activities | <u>(329,052)</u> | <u>(215,297)</u> |
| Share of profit or loss of associates | 35 | - | Cash flows from financing activities: | | |
| Loss from disposal of property, plant and equipment | 90 | 81 | Increase (decrease) in short-term loans | 150,000 | 150,000 |
| Changes in operating assets and liabilities: | | | Repayment of long-term loans | (6,517) | (8,041) |
| Financial assets mandatorily measured at fair value through profit or loss | - | (99,984) | Increase (decrease) in deposits received | - | 473 |
| Notes receivable | 103 | 2,604 | Cash payments for the principal portion of the lease liability | <u>(9,944)</u> | <u>-</u> |
| Accounts receivable | 24,532 | 51,678 | Net cash provided by (used in) financing activities | <u>133,539</u> | <u>142,432</u> |
| Other receivables | (1,416) | 3,442 | Effect of exchange rate changes on cash and cash equivalents | 9,109 | 7,755 |
| Other receivables-related parties | (12) | - | Net increase (decrease) in cash and cash equivalents | <u>(50,325)</u> | <u>73,201</u> |
| Inventories | 11,238 | 49,179 | Cash and cash equivalents at beginning of period | <u>2,050,224</u> | <u>1,920,497</u> |
| Prepayments | 12,017 | (1,774) | Cash and cash equivalents at end of period | <u><u>\$1,999,899</u></u> | <u><u>\$1,993,698</u></u> |
| Other current assets | (3,485) | (3,413) | | | |
| Contract liabilities | (59,353) | (4,583) | | | |
| Notes payable | 1,079 | (4,432) | | | |
| Accounts payable | (86,515) | (149,413) | | | |
| Other payables | (318,515) | (209,021) | | | |
| Other payables-related parties | 6,380 | 6,610 | | | |
| Advance receipts | 90 | - | | | |
| Other current liabilities | (5,931) | (16,974) | | | |
| Accrued pension liabilities | <u>(1,158)</u> | <u>(916)</u> | | | |
| Cash generated from operations | <u>151,082</u> | <u>158,614</u> | | | |
| Interest received | 1,053 | 1,717 | | | |
| Interest paid | (3,445) | (3,019) | | | |
| Income tax paid | <u>(12,611)</u> | <u>(19,001)</u> | | | |
| Net cash provided by (used in) operating activities | <u>136,079</u> | <u>138,311</u> | | | |

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

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(REVIEWED BUT UNAUDITED)

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

1. History and organization

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

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the three-month periods ended March 31, 2019 and 2018 were authorized for issuance at May 13, 2019 by the Company's 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 January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(1) IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

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)

The Group followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

- A. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- B. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered (or changed) on or after January 1, 2019, the Group need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and has no significant impact arise.
- C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on January 1, 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

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)

On January 1, 2019, the Group's right-of-use assets, lease liabilities and decommission liabilities increased by NT\$209,641 thousand, NT\$205,070 thousand and NT\$4,571 thousand, respectively.

Besides, on January 1, 2019, for leases that were previously classified as operating leases applying IAS 17 and those who have paid the rent in full, the Group reclassified the long-term rental prepayment of NT\$43,374 thousand to the right-of-use assets.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
 - iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
 - iv. Exclude initial direct costs from the measurement of the right-of-use assets on January 1, 2019.
 - v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- (b) Please refer to Note 4, and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.
- (c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:
- i. The lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 0.98%~4.75%.
 - ii. There is no difference between the present value of operating lease commitments under IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019 and lease liabilities recognized on January 1, 2019.

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)

| | |
|--|------------------|
| Operating lease commitments disclosed under IAS 17 as of December 31, 2018 | <u>\$226,175</u> |
| Present value discounted using the incremental borrowing rate on January 1, 2019 | <u>\$205,070</u> |
| Lease liabilities recognized on January 1, 2019 | <u>\$205,070</u> |

D. The Group is a lessor and has not made any adjustments. Please refer to Note 4 and Note 6 for the information relating to the lessor.

- (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 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

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)

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 based on those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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 assesses that there will be no significant impact on the Group’s financial statements then.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month ended March 31, 2019 and 2018 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.

Except the following 4(4) ~ 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, 2018. For more details, please refer to Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2018.

(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.

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)

(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, 2018. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2018.

The consolidated entities are listed as follows:

| Investor | Subsidiary | Main businesses | Percentage of ownership (%) | | |
|-------------|--|----------------------------|-----------------------------|----------------------|-------------------|
| | | | As of | | |
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| 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% |
| The Company | Dongpu Biotech Corporation | Sales | 100% (NOTE 1) | 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% |

Note1: Dongpu Biotech Corporation was established in June 2018 as wholly-owned subsidiary of the Company.

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)

Note2: The financial statements of Pro-partner Inc. are based solely on the reports of the other auditors. As of March 31, 2019, and 2018, total assets of Pro-partner Inc. were NT\$5,277,954 thousand and NT\$5,159,705 thousand, and the operating revenues for the three-month periods then ended were NT\$1,682,202 thousand and NT\$1,584,326 thousand.

(4) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(5) Leasing

The accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all the economic benefits from use of the identified asset;
and
- (b) the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined based on the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use assets, the Group measures the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follow:

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

Group as a lessor

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

(6) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) because of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(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.

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)

The significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month period ended March 31, 2019 are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2018. 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, 2018.

6. Contents of significant accounts

(1) Cash and cash equivalents

| | As of | | |
|--|--------------------|----------------------|--------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Cash on hand | \$5,175 | \$4,254 | \$4,945 |
| Checking and savings | 1,151,635 | 1,466,992 | 1,126,674 |
| Repurchase agreements collateralized by corporate bonds | 473,798 | 263,601 | 399,642 |
| Repurchase agreements collateralized by bonds | 369,291 | 315,377 | 462,437 |
| Total | <u>\$1,999,899</u> | <u>\$2,050,224</u> | <u>\$1,993,698</u> |

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

| | As of | | |
|-------------------------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Financial assets held for trading : | | | |
| Monetary fund | \$- | \$ - | \$170,000 |
| Valuation adjustments | - | - | 465 |
| Total | <u>\$-</u> | <u>\$ -</u> | <u>\$170,465</u> |

| | As of | | |
|-------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Current | \$- | \$- | \$170,465 |
| Non-current | - | - | - |
| Total | <u>\$-</u> | <u>\$-</u> | <u>\$170,465</u> |

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

| | As of | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Equity instruments investments measured at fair value through other comprehensive income – Non-current: | | | |
| Unlisted company stocks | \$12,912 | \$10,892 | \$16,664 |

a. At 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.

(4) Financial assets measured at amortized cost

| | As of | | |
|---------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Time deposits | \$40,920 | \$49,674 | \$47,995 |

| | As of | | |
|-------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Current | \$29,460 | \$38,214 | \$43,535 |
| Non-current | 11,460 | 11,460 | 4,460 |
| Total | \$40,920 | \$49,674 | \$47,995 |

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.

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)

(5) Notes receivables

| | As of | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Notes receivables arising from operating activities | \$3,494 | \$3,597 | \$3,149 |
| Less: loss allowance | - | - | - |
| Total | <u>\$3,494</u> | <u>\$3,597</u> | <u>\$3,149</u> |

Notes receivables were not pledged.

(6) Accounts receivable

| | As of | | |
|----------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Accounts receivables | \$146,447 | \$170,979 | \$106,386 |
| Less: loss allowance | (3,331) | (3,331) | (3,269) |
| Total | <u>\$143,116</u> | <u>\$167,648</u> | <u>103,117</u> |

Accounts receivables were not pledged.

Accounts receivables are generally on the collection term of 30-135 days. The total carrying amount for periods ended March 31, 2019, December 31, 2018 and March 31, 2018, are NT\$146,447 thousand, NT\$170,979 thousand and NT\$106,386 thousand, respectively, 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 in the first quarter of 2019 and 2018.

The details on loss allowance of accounts receivable for the periods ended March 31, 2019 and 2018 were as follows. (Please refer to Note 12 for more details on credit risk management).

| | |
|---|------------------------|
| | Accounts receivable |
| As of January 1, 2019, and March 31, 2019 | <u>\$3,331</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)

| | |
|--|------------------------|
| | Accounts receivable |
| As of January 1, 2018 | \$3,448 |
| Charge/(reversal) for the current period | (179) |
| Exchange differences | - |
| As of March 31, 2018 | <u>\$3,269</u> |

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

| As at | Neither past due nor impaired | Past due but not impaired: | | | Total |
|-------------------|-------------------------------------|----------------------------|------------|-----------|-----------|
| | | <=90 days | 90~180days | >180 days | |
| March 31, 2019 | \$133,953 | \$9,058 | \$105 | \$- | \$143,116 |
| December 31, 2018 | 157,410 | 10,238 | - | - | 167,648 |
| March 31, 2018 | 96,605 | 6,361 | 74 | 77 | 103,117 |

(7) Inventories

| | As of | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Raw materials | \$195,517 | \$211,114 | \$107,907 |
| Supplies | 26,646 | 27,370 | 25,449 |
| Semi-finished goods and Work in process | 150,764 | 158,476 | 152,910 |
| Finished goods | 177,055 | 164,399 | 152,143 |
| Merchandise | 1,611 | 1,472 | 4,470 |
| Total | <u>\$551,593</u> | <u>\$562,831</u> | <u>\$442,879</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)

- a. The cost of inventories recognized in expenses in amount of NT\$375,610 thousand and NT\$392,162 thousand for the three-month periods ended March 31, 2019 and 2018, respectively, including the write-down of inventories, is detailed as following

| | For the three-month period ended March 31, | |
|----------------------------------|---|---------|
| | 2019 | 2018 |
| Inventory loss on retirement | \$895 | \$3,174 |
| Loss (gain) from physical taking | (278) | (69) |
| Total | \$617 | \$3,105 |

- b. No inventories were pledged.

(8) Investments accounted for using the equity method

The Group did not have an investment accounted for using the equity method as of December 31, 2018 and March 31, 2018.

Details of investment accounted for using the equity method as of March 31, 2019 is as follows:

| Investees | As of March 31, | |
|-----------------------------------|-----------------|--------------------------------|
| | 2019 | |
| | Carrying amount | Percentage of ownership (%) |
| Investments in associate : | | |
| GK BIO INTERNATIONAL SDN. BHD. | \$6,512 | 30.00% |

The Group invested in GK BIO INTERNATIONAL SDN. BHD. in January 2019 amounted NT\$6,810 thousand and the percentage of ownership is 30%.

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)

The investment in the associate is not material to the Group. The aggregated financial information of the Group's investment in the associate is as follows:

| | For the three-month period ended |
|---|-------------------------------------|
| | March 31, 2019 |
| Net income (loss) | \$(35) |
| Other comprehensive income (loss), net of tax | (263) |
| Total comprehensive income (loss) | \$(298) |

The Group had no contingent liabilities or capital commitments to the associate as of March 31, 2019.

(9) Prepayments and Other Assets

| | As of | | |
|-------------------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Prepayment for purchase | \$22,112 | \$43,983 | \$10,365 |
| Long-term rental prepayment | Note1 | 43,373 | 46,405 |
| Prepayment for equipment | 166,866 | 187,963 | 445,877 |
| Office supplies | 5,317 | 4,689 | 8,513 |
| Other prepaid expenses | 22,497 | 13,271 | 31,407 |
| Other current assets | 8,193 | 4,708 | 15,056 |
| Refundable deposits | 27,730 | 26,931 | 26,817 |
| Overdue receivable | 2,267 | 2,267 | 2,267 |
| Less: loss allowance | (2,267) | (2,267) | (2,267) |
| Defined benefit asset | 4,853 | 3,730 | - |
| Other noncurrent assets-other | 29,872 | 29,961 | 22,742 |
| Total | \$287,440 | \$358,609 | \$607,182 |
| Current portion | \$58,119 | \$66,651 | \$65,341 |
| Noncurrent portion | 229,321 | 291,958 | 541,841 |
| Total | \$287,440 | \$358,609 | \$607,182 |

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 Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.
- (2) The amount recognized under the caption of “long-term rental prepayment” 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.
- (3) 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.

(10) Property, plant and equipment

| | Land | | Building | Machinery | Vehicle | Leasehold improvement | Other facilities | Construction in progress | Total |
|---------------------|--------------------|----------------|--------------------|--------------------|-----------------|-----------------------|------------------|--------------------------|--------------------|
| | Land | Improvement | | | | | | | |
| Cost: | | | | | | | | | |
| As of Jan. 1, 2019 | \$2,067,958 | \$1,974 | \$3,134,148 | \$1,254,331 | \$16,523 | \$48,083 | \$417,443 | \$856,968 | \$7,797,428 |
| Additions | - | - | 5,100 | 5,200 | 1,076 | 112 | 1,351 | 293,680 | 306,519 |
| Disposals | - | - | - | (11,824) | - | - | (1,476) | - | (13,300) |
| Transfers | - | - | 670 | 15,509 | - | - | 2,055 | 28,065 | 46,299 |
| Ex. Diff. | - | - | 9,582 | 4,868 | 57 | 68 | 463 | 384 | 15,422 |
| As of Mar. 31, 2019 | <u>\$2,067,958</u> | <u>\$1,974</u> | <u>\$3,149,500</u> | <u>\$1,268,084</u> | <u>\$17,656</u> | <u>\$48,263</u> | <u>\$419,836</u> | <u>\$1,179,097</u> | <u>\$8,152,368</u> |
| 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 | - | - | 13,008 | 4,378 | (78) | - | 9,816 | 83,216 | 110,340 |
| Disposals | - | - | - | (170) | - | - | (65) | - | (235) |
| Transfers | - | - | - | 44,114 | - | - | - | (22,521) | 21,593 |
| Ex. Diff. | - | - | 6,520 | 3,351 | 50 | 46 | 349 | - | 10,316 |
| As of Mar. 31, 2018 | <u>\$3,055,915</u> | <u>\$1,974</u> | <u>\$3,186,792</u> | <u>\$1,218,790</u> | <u>\$12,945</u> | <u>\$34,681</u> | <u>\$355,019</u> | <u>\$372,328</u> | <u>\$8,238,444</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)

Accumulated

Depreciation:

| | | | | | | | | | |
|---------------------|-----|---------|-----------|-----------|---------|----------|-----------|-----|-------------|
| As of Jan. 1, 2019 | \$- | \$973 | \$663,177 | \$902,083 | \$8,669 | \$12,128 | \$283,743 | \$- | \$1,870,773 |
| Depreciation | - | 71 | 32,913 | 18,066 | 620 | 2,338 | 9,646 | - | 63,654 |
| Disposals | - | - | - | (11,824) | - | - | (1,294) | - | (13,118) |
| Ex. Diff. | - | - | 2,713 | 2,911 | 34 | 28 | 336 | - | 6,022 |
| As of Mar. 31, 2019 | \$- | \$1,044 | \$698,803 | \$911,236 | \$9,323 | \$14,494 | \$292,431 | \$- | \$1,927,331 |

| | | | | | | | | | |
|---------------------|-----|-------|-----------|-----------|---------|----------|-----------|-----|-------------|
| As of Jan. 1, 2018 | \$- | \$687 | \$616,686 | \$857,073 | \$7,696 | \$10,050 | \$248,822 | \$- | \$1,741,014 |
| Depreciation | - | 71 | 28,050 | 18,595 | 391 | 1,410 | 9,010 | - | 57,527 |
| Disposals | - | - | - | (66) | - | - | (65) | - | (131) |
| Ex. Diff. | - | - | 1,910 | 2,536 | 36 | 20 | 275 | - | 4,777 |
| As of Mar. 31, 2018 | \$- | \$758 | \$646,646 | \$878,138 | \$8,123 | \$11,480 | \$258,042 | \$- | \$1,803,187 |

Net carrying amount

as of:

| | | | | | | | | | |
|-------------------|-------------|---------|-------------|-----------|---------|----------|-----------|-------------|-------------|
| March 31, 2019 | \$2,067,958 | \$930 | \$2,450,697 | \$356,848 | \$8,333 | \$33,769 | \$127,405 | \$1,179,097 | \$6,225,037 |
| December 31, 2018 | \$2,067,958 | \$1,001 | \$2,470,971 | \$352,248 | \$7,854 | \$35,955 | \$133,700 | \$856,968 | \$5,926,655 |
| March 31, 2018 | \$3,055,915 | \$1,216 | \$2,540,146 | \$340,652 | \$4,822 | \$23,201 | \$96,977 | \$372,328 | \$6,435,257 |

- a. The significant part of the Company's building includes main plant, air conditioning, electrical and wastewater treatment equipment and decoration, and the related depreciation is calculated based on the estimated 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.

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)

(11) Investment property

| | Land | Building | Total |
|---------------------------------------|-------------|------------|-------------|
| Cost : | | | |
| As of Jan. 1, 2019, and Mar. 31, 2019 | \$1,173,942 | \$394,499 | \$1,568,441 |
| As of Jan. 1, 2018, and Mar. 31, 2018 | \$185,985 | \$- | \$185,985 |
| Accumulated depreciation : | | | |
| As of January 1, 2019 | \$- | \$(82,513) | \$(82,513) |
| Depreciation | - | (2,515) | (2,515) |
| As of March 31, 2019 | \$- | \$(85,028) | \$(85,028) |
| As of Jan. 1, 2018, and Mar. 31, 2018 | \$- | \$- | \$- |
| Net carrying amount as of: : | | | |
| March 31, 2019 | \$1,173,942 | \$309,471 | \$1,483,413 |
| December 31, 2018 | \$1,173,942 | \$311,986 | \$1,485,928 |
| March 31, 2018 | \$185,985 | \$- | \$185,985 |

| | For the three-month period ended | |
|---|----------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Rental income from investment property | \$4,031 | \$- |
| Less: Direct operating expenses from investment property generating rental income | (1,435) | - |
| Direct operating expenses from investment property not generating rental income | (1,080) | - |
| Total | \$1,516 | \$- |

a. No investment property was pledged.

b. The fair value of investment properties held by the Group as at March 31, 2019 and December 31, 2018, were similar. For more details on fair value measurements, please refer to Note 6(12) of the Company's consolidated financial statements for the year ended December 31, 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)

- 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.

(12) Intangible assets

| | Computer software | Trademark | Total |
|------------------------------|-------------------|-----------|----------|
| Cost: | | | |
| As of January 1, 2019 | \$24,070 | \$15,049 | \$39,119 |
| Addition-acquired separately | 921 | - | 921 |
| Ex. Diff. | 48 | - | 48 |
| As of March 31, 2019 | \$25,039 | \$15,049 | 40,088 |
| As of January 1, 2018 | \$19,042 | \$15,049 | \$34,091 |
| Addition-acquired separately | 81 | - | 81 |
| As of March 31, 2018 | \$19,123 | \$15,049 | \$34,172 |
| Accumulated amortization: | | | |
| As of January 1, 2019 | \$8,836 | \$10,142 | \$18,978 |
| Amortization | 1,036 | 982 | 2,018 |
| Ex. Diff. | 2 | - | 2 |
| As of March 31, 2019 | \$9,874 | \$11,124 | \$20,998 |
| As of January 1, 2018 | \$5,433 | \$6,216 | \$11,649 |
| Amortization | 761 | 981 | 1,742 |
| As of March 31, 2018 | \$6,194 | \$7,197 | \$13,391 |
| Net carrying amount as of: | | | |
| March 31, 2019 | \$15,165 | \$3,925 | \$19,090 |
| December 31, 2018 | \$15,234 | \$4,907 | \$20,141 |
| March 31, 2018 | \$12,929 | \$7,852 | \$20,781 |

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)

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

| | For the three-month period ended | |
|---------------------------------|----------------------------------|----------------|
| | March 31, 2019 | March 31, 2018 |
| Selling and marketing expenses | \$53 | \$31 |
| General administrative expenses | \$1,965 | \$1,711 |

(13) Short-term debt

| | Interest Rates (%) | As of | | |
|----------------------|--------------------|----------------|-------------------|----------------|
| | | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Unsecured bank loans | 0.98%~1.07% | \$500,000 | \$150,000 | \$50,000 |
| Secured bank loans | 0.98%~1.10% | 450,000 | 650,000 | 400,000 |
| | | \$950,000 | \$800,000 | \$450,000 |

The Group's unused short-term lines of credits amount to NT\$1,500,000 thousand, NT\$1,650,000 thousand, and NT\$1,800,000 thousand, as of March 31, 2019, December 31, 2018, and March 31, 2018, respectively.

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

(14) Other Payables

| | As of | | |
|------------------------------------|----------------|-------------------|----------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Bonus to direct sellers | \$649,367 | \$927,735 | \$653,354 |
| Salaries and incentive bonus | 186,167 | 201,287 | 168,463 |
| Bonus to employees | 246,129 | 204,386 | 246,072 |
| Bonus to directors and supervisors | 36,742 | 30,645 | 77,258 |
| Other accrued expenses | 187,507 | 173,072 | 106,834 |
| Payables on equipment | 26,426 | 24,616 | 49,650 |
| Accrued VAT payable | 31,618 | 72,245 | 28,266 |
| Others | 5,872 | 52,479 | 3,976 |
| Total | \$1,369,828 | \$1,686,465 | \$1,333,873 |

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)

(15) Other current liabilities

| | As of | | |
|---------------------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Unearned rent | \$6,404 | \$5,932 | \$5,305 |
| Refund liability | 2,831 | 2,831 | 2,831 |
| Other current liabilities-other | 34,820 | 40,751 | 43,471 |
| Total | <u>\$44,055</u> | <u>\$49,514</u> | <u>\$51,607</u> |

(16) Bonds payable

| | As of | | |
|----------------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Domestic convertible bonds | \$- | \$- | \$113,355 |
| Less: current portion | - | - | (113,355) |
| Net | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

a. Domestic convertible bonds payable

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Liability component: | | | |
| Principal amount | \$- | \$- | \$113,400 |
| Interest Payable Refund from Bond Conversion | - | - | 853 |
| Premiums (discounts) on bonds payable | - | - | (898) |
| Subtotal | - | - | 113,355 |
| Less: current portion | - | - | (113,355) |
| Net | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |
| Embedded derivative—Redemption | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |
| Equity component—Convertible | <u>\$-</u> | <u>\$-</u> | <u>\$5,134</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 details of gain or loss from valuation through P/L on embedded derivative—redemption right and the interest expense on the domestic convertible bonds payable, please refer to Note 6(25) to the consolidated financial statements.

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

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

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

(c) Secured or unsecured: Unsecured bonds

(d) Terms of Exchange:

① Underlying Securities: Common shares of the Company

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

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

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

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

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)

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

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

(e) Redemption clauses:

- ① The Company may redeem the bonds, in whole, but not in part, after a month of the issuance (September 27, 2015) and prior to the maturity date (July 17, 2018), at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 30% of the conversion price.
- ② The Company may redeem the bonds, in whole, but not in part, at the Early Redemption Price if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.
- c. On August 26, 2018, the Company repaid and cancelled the bonds amounting to NT\$3,300 thousand plus interest compensation NT\$25 thousand. Accordingly, capital reserve due to share option in amount of NT\$150 thousand were transferred to capital reserve from expired share option. There were NT\$996,700 thousand and NT\$886,600 thousand bonds payable converted into shares as of December 31, 2018 and March 31, 2018 respectively.

(17)Provisions

| | Decommissioning, recovery and repair costs |
|---|--|
| As of January 1, 2019 | \$4,571 |
| Arising during the period | 670 |
| Discount rate adjustment and unwinding of discount from the passage of time | 19 |
| As of March 31, 2019 | \$5,260 |

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)

| | |
|------------------------------|---------|
| Current – March 31, 2019 | \$- |
| Non-current – March 31, 2019 | \$5,260 |
| | |
| Current – March 31, 2018 | \$- |
| Non-current – March 31, 2018 | \$- |

Decommissioning, restoration and rehabilitation

A provision has been recognized according to the contract that the group is committed to decommissioning the site because of construction of the factory.

(18) Long-term loan

Details of long-term loan as of March 31, 2019, December 31, 2018 and March 31, 2018 are as follows:

| Lenders | As of March 31, 2019 | Interest Rate (%) | Maturity and terms |
|--|----------------------------|----------------------|---|
| Secured Long-Term Loan from ChangHwa Commercial Bank | \$71,699 | 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 | 240,591 | 1.44% | Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly. |
| Subtotal | 312,290 | | |
| Less: current portion | (26,005) | | |
| Total | \$286,285 | | |

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)

| Lenders | As of December 31, 2018 | Interest Rate (%) | Maturity and terms |
|--|-------------------------------|----------------------|---|
| Secured Long-Term Loan from ChangHwa Commercial Bank | \$73,176 | 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 | 245,631 | 1.44% | Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly. |
| Subtotal | 318,807 | | |
| Less: current portion | (26,012) | | |
| Total | <u>\$292,795</u> | | |

| Lenders | As of March 31, 2018 | Interest Rate (%) | Maturity and terms |
|--|----------------------------|----------------------|---|
| Secured Long-Term Loan from ChangHwa Commercial Bank | \$182,765 | 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 | 359,838 | 1.44% | Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly. |
| Subtotal | 542,603 | | |
| Less: current portion | (31,942) | | |
| Total | <u>\$510,661</u> | | |

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

(19) Other noncurrent liabilities

| | As of | | |
|-----------------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Other long-term payables | \$- | \$- | \$15,763 |
| Accrued pension liabilities | 1,992 | 2,027 | 2,624 |
| Guarantee deposit received | 33,811 | 33,811 | 23,855 |

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)

| | | | |
|------------------------------------|-----------------|-----------------|-----------------|
| Other noncurrent liabilities-other | 47,127 | 47,509 | 53,972 |
| Total | <u>\$82,930</u> | <u>\$83,347</u> | <u>\$96,214</u> |

(20) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2019 and 2018 were NT\$8,261 thousand and NT\$6,709 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the three-month periods ended March 31, 2019 and 2018 were NT\$381 thousand and NT\$152 thousand, respectively.

(21) Equity

(a) Common stock

The Company's had 150,000 thousand authorized shares of which 136,286 thousand shares, 136,286 thousand shares and 135,587 thousand shares were issued, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, each at par value of NT\$10. Each share possesses one voting right and a right to receive dividends.

During 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.

(b) Capital reserve

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Treasury share transactions | \$4,363 | \$4,363 | \$4,363 |
| Convertible bonds-share option | - | - | 5,134 |
| Convertible bonds-expired share option | 150 | 150 | - |
| Additional paid-in capital | 954,280 | 954,280 | 845,665 |
| Other | 6,451 | 6,451 | - |
| Total | <u>\$965,244</u> | <u>\$965,244</u> | <u>\$855,162</u> |

Grape King Bio Ltd. and Subsidiaries

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

(c) Treasury stock

On January 3, 2017, the Company's board resolved to buy its own shares as treasury stocks for transferring to its employee. The repurchase period is from January 4, 2017 to March 3, 2017 and the share volume to be brought back are 3,000,000 shares with the unit price interval of NT\$118 to NT\$349.5. As of the end of the repurchase period, the number of shares repurchased were 508,000 shares and the average repurchase unit price NT\$179.26. The carrying value of treasury stock as of March 31, 2019 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

Grape King Bio Ltd. and Subsidiaries

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dividends if the accumulated earnings were lower than 10% of the paid-in capital. The dividend can be distributed by cash, stock or both while at least 10% of total dividends shall be in cash.

C. Legal reserve

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

D. Special reserve

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

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

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

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

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

F. Information regarding Pro-Partner's 2018 and 2017 earnings distribution and dividends per share as approved in the annual shareholders' meeting held on April 25, 2019 and April 19, 2018, respectively, were listed as follows:

| | Appropriation of earnings | | Dividend per share (in NT\$) | |
|----------------------------|------------------------------|-----------|---------------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Legal reserve | \$148,670 | \$145,698 | | |
| Common stock—cash dividend | 1,337,931 | 1,310,978 | 76.02 | 74.49 |

G. Non-controlling interests

| | For the three-month period ended March 31, | |
|--|---|-------------|
| | 2019 | 2018 |
| Beginning balance | \$1,202,975 | \$1,132,726 |
| Profit attributable to non-controlling interests | 126,311 | 115,475 |
| Ending balance | \$1,329,286 | \$1,248,201 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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

(22) Operating revenue

| | For the three-month period ended March 31, | |
|--|---|--------------------|
| | 2019 | 2018 |
| Sale of goods | \$1,781,800 | \$1,666,489 |
| Revenue arising from rendering of services | 231,884 | 265,937 |
| Total | <u>\$2,013,684</u> | <u>\$1,932,426</u> |

Analysis of revenue from contracts with customers for the three-month period ended March 31, 2019 and 2018 is as follows:

(1) Disaggregation of revenue

For the three-month period ended March 31, 2019

| | MLM | Distribution | OEM | Total |
|--|--------------------|-----------------|------------------|--------------------|
| Sale of goods | \$1,682,203 | \$81,566 | \$18,031 | \$1,781,800 |
| Revenue arising from rendering of services | - | - | 231,884 | 231,884 |
| Total | <u>\$1,682,203</u> | <u>\$81,566</u> | <u>\$249,915</u> | <u>\$2,013,684</u> |
| Revenue recognition point: At a point in time | <u>\$1,682,203</u> | <u>\$81,566</u> | <u>\$249,915</u> | <u>\$2,013,684</u> |

For the three-month period ended March 31, 2018

| | MLM | Distribution | OEM | Total |
|--|--------------------|-----------------|------------------|--------------------|
| Sale of goods | \$1,584,326 | \$58,351 | \$23,812 | \$1,666,489 |
| Revenue arising from rendering of services | - | - | 265,937 | 265,937 |
| Total | <u>\$1,584,326</u> | <u>\$58,351</u> | <u>\$289,749</u> | <u>\$1,932,426</u> |
| Revenue recognition point: At a point in time | <u>\$1,584,326</u> | <u>\$58,351</u> | <u>\$289,749</u> | <u>\$1,932,426</u> |

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(2) Contract balances

A. Contract liabilities - current

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Sales of goods | \$12,387 | \$48,238 | \$5,728 |
| Revenue arising from rendering of services | 34,577 | 58,079 | 72,774 |
| Total | \$46,964 | \$106,317 | \$78,502 |

The difference between the balance of the Group's contractual liabilities on March 31, 2019 and 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.

(23) Lease

(1) Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate such as land, buildings and transportation equipment. The lease terms range from 3 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

| | Land | Building | Vehicle | Other facilities | Total |
|--------------------|-----------|-----------|----------|------------------|-----------|
| Cost: | | | | | |
| As of Jan. 1, 2019 | \$105,412 | \$136,710 | \$10,893 | \$- | \$253,015 |
| Additions | - | - | - | - | - |

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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| | | | | | |
|---------------------|------------------|------------------|-----------------|------------|------------------|
| Disposals | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Ex. Diff. | 1,048 | 19 | 5 | - | 1,072 |
| As of Mar. 31, 2019 | <u>\$106,460</u> | <u>\$136,729</u> | <u>\$10,898</u> | <u>\$-</u> | <u>\$254,087</u> |

Accumulated

Depreciation:

| | | | | | |
|---------------------|--------------|----------------|----------------|------------|-----------------|
| As of Jan. 1, 2019 | \$- | \$- | \$- | \$- | \$- |
| Depreciation | 919 | 8,468 | 1,023 | - | 10,410 |
| Disposals | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Ex. Diff. | - | - | - | - | - |
| As of Mar. 31, 2019 | <u>\$919</u> | <u>\$8,468</u> | <u>\$1,023</u> | <u>\$-</u> | <u>\$10,410</u> |

Net carrying amount

as of:

| | | | | | |
|----------------|------------------|------------------|----------------|------------|------------------|
| March 31, 2019 | <u>\$105,541</u> | <u>\$128,261</u> | <u>\$9,875</u> | <u>\$-</u> | <u>\$243,677</u> |
|----------------|------------------|------------------|----------------|------------|------------------|

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

b. Lease liabilities

| | As of | | |
|-------------|-------------------|-----------------------------|--------------------------|
| | March 31, 2019 | December 31, 2018 (Note) | March 31, 2018 (Note) |
| Current | \$41,526 | | |
| Non-current | 154,228 | | |
| Total | <u>\$195,754</u> | | |

Please refer to Note6(25) (C) for the interest on lease liabilities recognized during the three-month period ended March 31, 2019 and refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at March 31, 2019.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Grape King Bio Ltd. and Subsidiaries

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B. Income and costs relating to leasing activities

| | For the three-month period ended March 31, | |
|--|---|------|
| | 2019 | 2018 |
| The expenses relating to short-term leases | \$4,262 | Note |

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

There was no lease commitment for portfolio of short-term leases as of March 31, 2019.

C. Cash outflow relating to leasing activities

During the three-month period ended March 31, 2019, the Group's total cash outflows for leases amounting to NT\$14,206 thousand.

(2) Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | As of | | |
|--|--------------------------|----------------------|-------------------|
| | March 31, 2019 (Note) | December 31, 2018 | March 31, 2018 |
| Not later than one year | | \$43,698 | \$42,354 |
| Later than one year and not later than five years | | 121,076 | 72,250 |
| Later than five years | | 61,401 | - |
| Total | | \$226,175 | \$114,604 |

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

Grape King Bio Ltd. and Subsidiaries

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Operating lease expenses recognized are as follows:

| | For the three-month period ended March 31, | |
|------------------------|---|-----------------|
| | 2019 (Note) | 2018 |
| Minimum lease payments | | <u>\$15,646</u> |

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(3) Group as a lessor (applicable to the disclosure requirement in IFRS 16)

A. Please refer to Note 6 (11) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

| | For the three-month period ended March 31, | |
|---|---|----------------|
| | 2019 | 2018 (Note) |
| Lease income for operating leases | | |
| Income relating to fixed lease payments | | <u>\$4,031</u> |

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Shanghai Grape King has entered into an operating lease agreement in term from June 2014 to March 2034 with a non-related party. As of March 31, 2019, Shanghai Grape King has received prepaid rents, recorded under the caption of advances received, for the period of ten years and ten months. The movement schedule of prepaid rents is listed as follows:

| | As of | | |
|--|-------------------|-----------------------------|--------------------------|
| | March 31, 2019 | December 31, 2018 (Note) | March 31, 2018 (Note) |
| Beginning balance of prepaid rent | \$51,865 | | |
| Rent income recognized in current period | (1,196) | | |

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)

| | |
|--------------------------------|-----------------|
| Exchange difference | 1,250 |
| Ending balance of prepaid rent | <u>\$51,919</u> |

Advances received for operating leases are as follows:

| | As of | | |
|-------------------------------------|-------------------|-----------------------------|--------------------------|
| | March 31, 2019 | December 31, 2018 (Note) | March 31, 2018 (Note) |
| Other current liabilities | \$4,791 | | |
| Other non-current liabilities-other | 47,128 | | |
| Total | <u>\$51,919</u> | | |

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(4) Operating lease commitments - Group as a lessor (applicable to the disclosure requirement in IAS 17)

Shanghai Grape King has entered into an operating lease agreement in term from June 2014 to March 2034 with a non-related party. As of March 31, 2018, Shanghai Grape King has received prepaid rents, recorded under the caption of advances received, for the period of eleven years and ten months. The movement schedule of prepaid rents is listed as follows:

| | As of | | |
|--|--------------------------|----------------------|-------------------|
| | March 31, 2019 (Note) | December 31, 2018 | March 31, 2018 |
| Beginning balance of prepaid rent | | \$57,720 | \$57,720 |
| Rent income recognized in current period | | (4,772) | (1,206) |
| Exchange difference | | (1,083) | 1,027 |
| Ending balance of prepaid rent | | <u>\$51,865</u> | <u>\$57,541</u> |

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(REVIEWED BUT UNAUDITED)

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Advances received for operating leases are as follows:

| | As of | | |
|-------------------------------------|--------------------------|----------------------|-------------------|
| | March 31, 2019 (Note) | December 31, 2018 | March 31, 2018 |
| Other current liabilities | | \$4,680 | \$4,863 |
| Other non-current liabilities-other | | 47,185 | 52,678 |
| Total | | <u>\$51,865</u> | <u>\$57,541</u> |

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

| | For the three-month period ended March 31, | | | | | |
|----------------------------|--|--------------------|-----------|-----------------|--------------------|-----------|
| | 2019 | | | 2018 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries & wages | \$50,140 | \$205,629 | \$255,769 | \$51,737 | \$191,770 | \$243,507 |
| Labor and health insurance | 5,178 | 8,532 | 13,710 | 4,272 | 7,144 | 11,416 |
| Pension | 4,747 | 3,895 | 8,642 | 3,780 | 3,081 | 6,861 |
| Other employee benefits | 2,433 | 2,686 | 5,119 | 2,099 | 2,354 | 4,453 |
| Depreciation | 33,886 | 42,693 | 76,579 | 35,531 | 21,996 | 57,527 |
| Amortization | - | 2,018 | 2,018 | - | 1,742 | 1,742 |

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

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Based on profit of the three-month period ended March 31, 2019, the Company has made an accrual 8% and 2% of profit as employees' compensation and remuneration to directors and supervisors, respectively, amounting to NT\$24,390 thousand and NT\$6,098 thousand and recorded under the caption of salary & wage. If employee compensation is distributed in form of share, the number of shares 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 meeting, the Company will record the difference as an adjustment to current income.

Based on profit of the three-month period ended March 31, 2018, the Company has made an accrual 8% and 2% of profit as employees' compensation and remuneration to directors and supervisors, respectively, amounting to NT\$24,161 thousand and NT\$6,040 thousand and recorded under the caption of salary & wage. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income.

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

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.

Pro-partner Inc., estimated the employee's compensation and remuneration to directors amounting to NT\$17,350 thousand and NT\$21,688 thousand, respectively, for the three-month period ended March 31, 2019. 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's compensation and remuneration to directors amounted to NT\$15,862 thousand and NT\$19,827 thousand, respectively, for the three-month period ended March 31, 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.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Pro-partner Inc.'s distributions of employee compensation and remuneration to directors for 2018 amounting NT\$81,688 thousand and NT\$102,110 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 March 31, | |
|---|---|-----------------|
| | 2019 | 2018 |
| Interest income from bank deposits—Financial assets measured at amortized cost | \$1,084 | \$1,809 |
| Rental revenue | 7,927 | 4,715 |
| Other Income | 17,510 | 13,921 |
| Total | <u>\$26,521</u> | <u>\$20,445</u> |

(b) Other gains and losses

| | For the three-month period ended March 31, | |
|--|---|------------------|
| | 2019 | 2018 |
| Loss from disposal of property, plant and equipment | \$(90) | \$- |
| Foreign exchange loss, net | (171) | (1,949) |
| Gain from financial assets at fair value through P/L | - | 111 |
| Others | (3,203) | (32) |
| Total | <u>\$(3,464)</u> | <u>\$(1,870)</u> |

(c) Finance costs

| | For the three-month period ended March 31, | |
|----------------------------------|---|-------|
| | 2019 | 2018 |
| Imputed interest on deposit | \$64 | \$64 |
| Interest on borrowings from bank | 3,449 | 2,966 |
| Interest on lease liabilities | 605 | Note |
| Interest on corporate bond | - | 808 |

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)

| | | |
|-------------------------------------|----------------|----------------|
| Unwinding of discount on provisions | 19 | - |
| Total | <u>\$4,137</u> | <u>\$3,838</u> |

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(26) Components of other comprehensive income

For the three-month period ended March 31, 2019

| | Arising during the period | Income tax benefit (expense) | 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 | \$2,020 | \$- | \$2,020 |
| To be reclassified to profit or loss in subsequent period: | | | |
| Exchange differences on translation of foreign operations | 19,389 | - | 19,389 |
| Exchange differences on translation of associates | (263) | - | (263) |
| Total | <u>\$21,146</u> | <u>\$-</u> | <u>\$21,146</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 March 31, 2018

| | Arising during the period | Income tax benefit (expense) | 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 | \$(1,723) | \$- | \$(1,723) |
| To be reclassified to profit or loss in subsequent period: | | | |
| Exchange differences on translation of foreign operations | 11,084 | - | 11,084 |
| Total | <u>\$9,361</u> | <u>\$-</u> | <u>\$9,361</u> |

(27) Income tax

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 March 31, | |
|---|---|----------|
| | 2019 | 2018 |
| Current income tax expense (benefit): | | |
| Current income tax charge | \$99,231 | \$98,504 |
| Adjustments in respect of current income tax of prior periods | 1,501 | - |
| Deferred income tax expense (benefit): | | |
| Deferred income tax expense (benefit) related to origination and reversal of temporary difference | 520 | 370 |

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| | | |
|-------------------------------|------------------|-----------------|
| The effect of tax rate change | - | (140) |
| Total income tax expense | <u>\$101,252</u> | <u>\$98,734</u> |

Income tax relating to components of other comprehensive income

| | For the three-month period ended March 31, | |
|---|---|------------|
| | 2019 | 2018 |
| Deferred tax expense (benefit): | | |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | \$- | \$- |
| Exchange differences on translation of foreign operations | - | - |
| Income tax relating to components of other comprehensive income | <u>\$-</u> | <u>\$-</u> |

Tax assessment

As of March 31, 2019, the assessment from tax authority for the Company and Subsidiaries are as follows:

| | <u>Status</u> |
|------------------|----------------------------------|
| The Company | Assessed and approved up to 2017 |
| Pro-partner Inc. | Assessed and approved up to 2017 |
| Rivershine Ltd. | Assessed and approved up to 2017 |

(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.

Grape King Bio Ltd. and Subsidiaries

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| | For the three-month period ended March 31, | |
|--|---|-----------|
| | 2019 | 2018 |
| (a) Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT\$) | \$262,690 | \$260,313 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares) | 135,778 | 134,846 |
| Basic earnings per share (in NT\$) | \$1.93 | \$ 1.93 |
| | | |
| | For the three-month period ended March 31, | |
| | 2019 | 2018 |
| (b) Diluted earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT\$) | \$262,690 | \$260,313 |
| Interest expense from convertible bonds (in thousand NT\$) | - | 702 |
| Gain or loss on valuation of redemption | - | 63 |
| Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$) | \$262,690 | \$261,078 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares) | 135,778 | 134,846 |
| Effect of dilution: | | |
| Employee bonus—stock (in thousand shares) | 496 | 469 |
| Convertible bonds (in thousand shares) | - | 939 |
| Weighted average number of ordinary shares outstanding after dilution (in thousand shares) | 136,274 | 136,254 |
| Diluted earnings per share (in NT\$) | \$1.93 | \$ 1.92 |

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 | | |
|-------------|---|-------------------|----------------------|-------------------|
| | | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Pro-partner | Republic of China | 40% | 40% | 40% |

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Accumulated balances of material non- controlling interest: | | | |
| Pro-partner | \$1,329,286 | \$1,202,975 | \$1,248,201 |

| | For the three-month period ended March 31, | |
|---|---|-----------|
| | 2019 | 2018 |
| Profit/(loss) allocated to material non-controlling interest: | | |
| Pro-partner | \$126,311 | \$115,475 |

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

Summarized information of profit or loss for the three-month period ended March 31, 2019 and 2018 is as follows:

| | For the three-month period ended March 31, | |
|---|---|-------------|
| | 2019 | 2018 |
| Operating revenue | \$1,682,202 | \$1,584,326 |
| Profit/loss from continuing operation | \$315,778 | \$288,688 |
| Total comprehensive income for the period | \$315,778 | \$288,688 |

Grape King Bio Ltd. and Subsidiaries

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Summarized information of financial position as of March 31, 2019, December 31, 2018 and March 31, 2018 is as follows:

| | As of | | |
|-------------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Current assets | \$1,480,547 | \$1,361,132 | \$1,482,779 |
| Non-current assets | 3,822,105 | 3,740,441 | 3,696,473 |
| Current liabilities | (1,603,338) | (1,784,232) | (1,544,477) |
| Non-current liabilities | (376,097) | (309,903) | (514,272) |

Summarized cash flow information for the three-month period ended March 31, 2019 and 2018 is as follows:

| | For the three-month period ended March 31, | |
|--|---|-----------|
| | 2019 | 2018 |
| Operating activities | \$130,544 | \$248,541 |
| Investing activities | (5,352) | (144,496) |
| Financing activities | (13,469) | (8,028) |
| Net increase/(decrease) in cash and cash equivalents | \$111,723 | \$96,017 |

7. Related party transactions

(1) Name of related party and the relation

| Name of related party | Relation with the Group |
|--|---|
| 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 |

Grape King Bio Ltd. and Subsidiaries

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| | |
|-------------------------------------|--|
| Pu-Lin Ltd. (Pu-Lin) | Related party in substance of Pro-partner (NOTE) |
| Xinlin Enterprise Co., Ltd (Xinlin) | Related party in substance of Pro-partner |

NOTE: Please refer to Note 9(6).

(2) Significant transactions with related parties

a. Sales

| | For the three-month period ended March 31, | |
|----------|---|-------|
| | 2019 | 2018 |
| Pu Hsing | \$342 | \$331 |
| Others | 18 | - |
| Total | \$360 | \$331 |

The sales price for the 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 related parties and for the third-parties.

b. Other payables to related parties

| | As of | | |
|--------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Others | \$12 | \$- | \$- |

c. Other payables to related parties

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Pu Hsing | \$20,665 | \$17,050 | \$19,708 |
| Integrate Chinese Medicine Holdings Ltd. | - | - | 19,675 |

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

| | | | |
|--------|-----------------|-----------------|-----------------|
| Gongju | 21,337 | 18,572 | - |
| Total | <u>\$42,002</u> | <u>\$35,622</u> | <u>\$39,383</u> |

d. Refundable deposits

| | As of | | |
|--------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Pu-Lin | <u>\$1,068</u> | <u>\$1,068</u> | <u>\$-</u> |

e. Guarantee deposit received

| | As of | | |
|--------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Others | <u>\$2</u> | <u>\$2</u> | <u>\$-</u> |

f. Temporary Receipts (Current liabilities)

| | As of | | |
|------------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Mei-Ching Tseng (Note) | <u>\$-</u> | <u>\$-</u> | <u>\$17,607</u> |

NOTE: Please refer to Note 9(6).

g. Advance receipts (Current liabilities)

| | As of | | |
|--------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Others | <u>\$20</u> | <u>\$4</u> | <u>\$-</u> |

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h. Selling and marketing-commission

| | For the three-month period ended March 31, | |
|----------|---|------|
| | 2019 | 2018 |
| Pu Hsing | \$98 | \$99 |
| Gongju | 1,208 | - |
| Total | \$1,306 | \$99 |

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

i. Lease-related parties

Rental expense

| | For the three-month period ended March 31, | |
|------------------|---|---------|
| | 2019 | 2018 |
| Pu-Lin | \$- | \$1,050 |
| Chih-Sheng Chang | - | 360 |
| Chang-Yeh Tseng | - | 360 |
| Total | \$- | \$1,770 |

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 March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Right-of-use assets and Lease liabilities

(1) Right-of-use assets and depreciation

| | Right-of-use assets as of March 31, 2019 | Depreciation for the three-month period ended March 31, 2019 |
|--------|---|---|
| Pu-Lin | <u>\$37,938</u> | <u>\$1,002</u> |

(2) Lease liabilities and interests expense

| | Lease liabilities as of March 31, 2019 | Interest expense for the three-month period ended March 31, 2019 |
|--------|---|--|
| Pu-Lin | <u>\$37,024</u> | <u>\$133</u> |

j. Revenue from rental assets

| | For the three-month period ended March 31, | |
|--------|---|------------|
| | 2019 | 2018 |
| Others | <u>\$3</u> | <u>\$6</u> |

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 March 31, | |
|--------|---|------------|
| | 2019 | 2018 |
| Others | <u>\$12</u> | <u>\$-</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)

1. Key management personnel compensation

| | For the three-month period ended March 31, | |
|------------------------------|---|----------|
| | 2019 | 2018 |
| Short-term employee benefits | \$41,736 | \$38,861 |
| Post-employment benefits | 90 | 88 |
| Total | \$41,826 | \$38,949 |

8. Assets pledged as collaterals

The following assets are pledged as collaterals.

| Assets pledged | As of | | | Purpose of pledge |
|---|-------------------|----------------------|-------------------|---|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| Property, plant and equipment-land | \$2,107,974 | \$2,095,341 | \$1,921,301 | For long-term and short-term secured loans. |
| Property, plant and equipment-building | 1,103,715 | 1,093,113 | 1,104,719 | For long-term and short-term secured loans. |
| Financial assets measured at amortized cost-pledged time deposits | 11,460 | 11,460 | 4,460 | For Chinese Petroleum Corporation natural gas, leasing land and operating center from Science-based Park. |
| Total | \$3,223,149 | \$3,199,914 | \$3,030,480 | |

9. Commitments and contingencies

(1) The Company's guarantee notes issued to banks for credit lines amounted to NT\$250,000 thousand.

(2) Amount available under letters of credit as of March 31, 2019 are NT\$7,870 thousand.

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- (3) A Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of March 31, 2019 were as follows

| Nature of Contract | Contract Amount | Amount Paid | Outstanding Balance |
|---------------------|-----------------|-------------|---------------------|
| Plant and Machinery | \$1,055,000 | \$873,219 | \$181,781 |

- (4) For operational needs, Pro-partner should establish operational bases in Taoyuan, Hsinchu, Fengyuan, Taichung, Hualien and Tainan. The information concerning the operating leases sustained as of March 31, 2019 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 |
| HuaLien 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.

- (5) 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 the period of 2 years. As of March 31, 2019, the software system mentioned above has been partially delivered and utilized while, the rest remains in testing status or installation.

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(6) Pro-partner Inc. has entered into certain agreements for computer software and hardware leasing and maintenance contracts on February 1, 2008. Pro-partner Inc. also has entered into additional software leasing and maintenance contracts for logistics management on January 1, 2013 with "FINE EAGLE INVESTMENTS LIMITED" for the services provided by WELLAN SYSTEM CO., LTD, effective until January 2015. Due to an on-going investigation, Pro-partner Inc.'s general manager paid the related commission in amount of \$17,607 thousand to Pro-partner on behalf of "FINE EAGLE INVESTMENTS LIMITED". Upon receiving the payment, Pro-partner recorded it under the caption of temporary receipts due to uncertainty of Investigation Bureau determination yet. Pro-partner Inc. has transferred the temporary receipts to other income when Taipei District Prosecutors Office filed a public prosecution to the Taipei District Court of Taiwan on December 20, 2018. (Indictment Document Number 2017 Detective No.2928 and No.12036).

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>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
| Financial asset at fair value through P/L: | | | |
| Mandatorily measured at Fair value through P/L | \$- | \$- | \$170,465 |
| Financial assets at fair value through OCI | 12,912 | 10,892 | 16,664 |
| Financial assets measured at amortized cost | 2,192,706 | 2,274,961 | 2,150,720 |
| Total | \$2,205,618 | \$2,285,853 | \$2,337,849 |

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)

| <u>Financial liabilities</u> | As of | | |
|--|--------------------|--------------------|--------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Financial liabilities at amortized cost: | | | |
| Short-term debt | \$950,000 | \$800,000 | \$450,000 |
| Notes payable | 2,835 | 1,756 | 2,775 |
| Accounts payable | 173,964 | 260,479 | 166,695 |
| Other payables | 1,369,828 | 1,686,465 | 1,333,873 |
| Other payables – related parties | 42,002 | 35,622 | 39,383 |
| Bonds payable (current portion included) | - | - | 113,355 |
| Long-term loans (current portion included) | 312,290 | 318,807 | 542,603 |
| Other long-term payables | - | - | 15,763 |
| Lease liabilities | 195,754 | Note | Note |
| Total | <u>\$3,046,673</u> | <u>\$3,103,129</u> | <u>\$2,664,447</u> |

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(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 always.

(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).

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against foreign currency USD by 10%, the profit before tax for the three-month periods ended March 31, 2019 and 2018 decreased/increased by NT\$ 11,167 thousand and NT\$10,184 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

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before tax for the three-month periods ended March 31, 2019 and 2018 to increase/decrease by NT\$193 thousand and NT\$261 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 net asset value of the monetary fund held for trading could increase/decrease the Group's profit before tax for the three-month period ended March 31, 2019 and 2018 by NT\$0 thousand and NT\$8,523 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 three-month period ended March 31, 2019 and 2018. 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

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transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

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

Non-derivative financial instruments

| | Less than 6 months | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
|--|-----------------------|-------------------|-----------------|-----------------|----------------------|-----------|
| <u>As of March 31, 2019</u> | | | | | | |
| Short-term debt | \$951,017 | \$- | \$- | \$- | \$- | \$951,017 |
| Notes payable | 2,835 | - | - | - | - | 2,835 |
| Accounts payables | 173,964 | - | - | - | - | 173,964 |
| Other payables (related parties included) | 1,347,360 | 64,470 | - | - | - | 1,411,830 |
| Long-term loans (current portion included) | 15,428 | 15,528 | 31,055 | 93,167 | 187,488 | 342,666 |
| Lease liabilities | 19,747 | 19,854 | 38,931 | 52,618 | 79,391 | 210,541 |
| <u>As of December 31, 2018</u> | | | | | | |
| Short-term debt | \$800,379 | \$- | \$- | \$- | \$- | \$800,379 |
| Notes payable | 1,756 | - | - | - | - | 1,756 |
| Accounts payable | 260,479 | - | - | - | - | 260,479 |
| Other payables (related parties included) | 1,520,066 | 202,021 | - | - | - | 1,722,087 |
| Long-term loans (current portion included) | 15,320 | 15,528 | 31,055 | 93,167 | 195,252 | 350,322 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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As of March 31, 2018

| | | | | | | |
|--|-----------|--------|--------|---------|---------|-----------|
| Short-term debt | \$450,130 | \$- | \$- | \$- | \$- | \$450,130 |
| Notes payable | 2,775 | - | - | - | - | 2,775 |
| Accounts payable | 166,695 | - | - | - | - | 166,695 |
| Bonds payable | 114,253 | - | - | - | - | 114,253 |
| Other payables (related parties included) | 1,311,329 | 61,927 | - | - | - | 1,373,256 |
| Long-term payables | - | - | - | - | 15,763 | 15,763 |
| Long-term loans (current portion included) | 20,284 | 20,413 | 40,825 | 122,476 | 413,670 | 617,668 |

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as at March 31, 2019:

| | Short-term debt | Long-term debt | Deposits received | Lease liabilities | Total liabilities from financing activities |
|-----------------------|-----------------|----------------|-------------------|-------------------|---|
| As at January 1, 2019 | \$800,000 | \$318,807 | \$33,811 | \$205,070 | \$1,357,688 |
| Cash flows | 150,000 | (6,517) | - | (9,944) | 133,539 |
| Non-cash changes | - | - | - | 628 | 628 |
| As at March 31, 2019 | \$950,000 | \$312,290 | \$33,811 | \$195,754 | \$1,491,855 |

Reconciliation of liabilities as at March 31, 2018:

| | Short-term debt | Long-term debt | Deposits received | Total liabilities from financing activities |
|-----------------------|-----------------|----------------|-------------------|---|
| As at January 1, 2018 | \$300,000 | \$550,644 | \$23,382 | \$874,026 |
| Cash flows | 150,000 | (8,041) | 473 | 142,432 |
| As at March 31, 2018 | \$450,000 | \$542,603 | \$23,855 | \$1,016,458 |

(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 identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using

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interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

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

| | Carrying value | | | Fair value | | |
|------------------------------------|-------------------|----------------------|-------------------|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Financial liabilities: | | | | | | |
| Bonds payable (current portion) | \$- | \$- | \$113,355 | \$- | \$- | \$113,649 |

(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 March 31, 2019 and 2018 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(16) for further information on this transaction.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(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.

(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 March 31, 2019

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Stocks | \$- | \$- | \$12,912 | \$12,912 |

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As of December 31, 2018

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

As of March 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|---------|----------|-----------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Monetary fund | \$170,465 | \$- | \$- | \$170,465 |
| Financial assets at fair value through other comprehensive income | | | | |
| Stocks | - | - | 16,664 | 16,664 |
| Total | \$170,465 | \$- | \$16,664 | \$187,129 |

Transfers between Level 1 and Level 2 during the period

During the three-month periods ended March 31, 2019 and 2018, 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 March 31, 2019 and 2018 are as follows:

| | Assets | | Total |
|--|--------------------------|---------------------------|----------|
| | At fair value through PL | At fair value through OCI | |
| | Derivatives | Stocks | |
| Beginning balances as of January 1, 2019 | \$- | \$10,892 | \$10,892 |
| Total gains and losses recognized for three-month period ended March 31, 2019: | | | |
| Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - | 2,020 | 2,020 |
| Ending balances as of March 31, 2019 | \$- | \$12,912 | \$12,912 |

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| | Assets | | |
|--|-----------------------------|------------------------------|----------|
| | At fair value through PL | At fair value through OCI | 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 March 31, 2018: | | | |
| Amount recognized in profit or loss (presented in “other profit or loss”) | (63) | - | (63) |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - | (1,723) | (1,723) |
| Ending balances as of March 31, 2018 | \$- | \$16,664 | \$16,664 |

Total gains and losses recognized in profit or loss for the three-month period ended March 31, 2019 and 2018 in the table above contain gains and losses related to assets on hand as of March 31, 2019 and 2018 in the amount of NT\$0 thousand and NT\$(63) 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 March 31, 2019

| 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 | | | | |

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| | | | | | |
|--------|-----------------|------------------------------------|--------|---|--|
| 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\$184 thousand |
|--------|-----------------|------------------------------------|--------|---|--|

As of December 31, 2018

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

As of March 31, 2018

| | 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 | 22.92% | The higher the volatility, the higher the fair value of the embedded derivatives. | 1% increase (decrease) in the volatility would not impact on the Group's profit or loss. |

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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\$238 thousand |
|--------|-----------------|---------------------------------------|--------|---|---|

(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 March 31, 2019

| | <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(11)) | \$- | \$- | \$1,761,583 | \$1,761,583 |
| Financial liabilities not measured at fair value but for which the fair value is disclosed: | | | | |
| Bonds payable (please refer to Note 6(16)) | \$- | \$- | \$- | \$- |

As of December 31, 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(11)) | \$- | \$- | \$1,761,583 | \$1,761,583 |

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)

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

Bonds payable (please refer to Note 6(16))

\$- \$- \$- \$-

As of March 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|-----------|-----------|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6(11)) | \$- | \$- | \$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(16)) | \$- | \$- | \$113,649 | \$113,649 |

(10) Significant assets and liabilities denominated in foreign currencies

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

| | As of March 31, 2019 | | | As of December 31, 2018 | | |
|------------------------------|----------------------|-----------------------|-----------|-------------------------|-----------------------|-----------|
| | Foreign currencies | Foreign exchange rate | NTD | Foreign currencies | Foreign exchange rate | NTD |
| <u>Financial assets</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$3,821 | 30.64 | \$117,065 | \$3,821 | 30.59 | \$116,898 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$175 | 30.86 | \$5,398 | \$704 | 30.69 | \$21,609 |

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 March 31, 2018 | | |
|------------------------------|----------------------|----------|-----------|
| | Foreign | Foreign | |
| | currencies | exchange | NTD |
| | | rate | |
| <u>Financial assets</u> | | | |
| Monetary items: | | | |
| USD | \$4,434 | 29.31 | \$129,971 |
| <u>Financial liabilities</u> | | | |
| Monetary items: | | | |
| USD | \$963 | 29.22 | \$28,135 |

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

The Group's functional currency is variety. It is cannot be disclosure the foreign exchange gains or losses on monetary financial assets and financial liabilities for each currency with significant influence. The Foreign exchange losses of the Group amounted to NT\$171 thousand and NT\$1,949 thousand respectively on March 31, 2019 and 2018.

(11) Capital management

The same summarized quantitative information of capital management has been applied in the Group's consolidated financial statements for the three-month period ended March 31, 2019 as those applied in the Group's consolidated financial statements for the year ended December 31, 2018. For the related information please refer to Note 12(11) of the Group's consolidated financial statements for year ended December 31, 2018.

13. Other disclosure

(1) Information at significant transactions

- a. Financing provided to others for the three-month period ended March 31, 2019: None.
- b. Endorsement/Guarantee provided to others for the three-month period ended March 31, 2019: None.

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)

- c. Securities held as of March 31, 2019: Please refer to attachment 1.
- 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 three-month period ended March 31, 2019: 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 three-month period ended March 31, 2019: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the three-month period ended March 31, 2019: 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 three-month period ended March 31, 2019: Please refer to attachment 2.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of March 31, 2019: Please refer to attachment 4.
- i. Financial instruments and derivative transactions: None.
- j. Intercompany relationships and significant intercompany transaction: Please refer to attachment 5.

(2) Information on investees

- 1. Names, locations and related information of investees as of March 31, 2019 (excluding the investment in Mainland China): Please refer to attachment 3.
- 2. Information at significant transactions
 - a. Financing provided to others for the three-month period ended March 31, 2019: None.

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)

- b. Endorsement/Guarantee provided to others for the three-month period ended March 31, 2019: None.
- c. Securities held as of March 31, 2019: None.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the three-month period ended March 31, 2019: 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 three-month period ended March 31, 2019: None
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the three-month period ended March 31, 2019: 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 three-month period ended March 31, 2019: Please refer to attachment 2.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of March 31, 2019: None.
- i. Financial instruments and derivative transactions: None

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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)

(3) Information on investments in mainland China:

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

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

| Investee company | Main businesses and products | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated Investment Outflows from Taiwan as at January 1, 2019 | Investment Flows | | Accumulated Investment Outflows from Taiwan as at March 31, 2019 | Net Income (Loss) of Investee Company | Percentage of Direct or Indirect Ownership | Investment Profit(Loss) Recognized (Note 2) | Carrying Amount as at March 31, 2019 | Accumulated Inward Remittance of Earnings as of March 31, 2019 |
|--|---|---------------------------------|-------------------------------|---|------------------|--------|--|---------------------------------------|--|---|--------------------------------------|--|
| | | | | | 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 (USD27,350 thousand) | \$- | \$- | \$847,672 (USD 27,350 thousand) | \$28,787 (Note 2 (2) B) | 100% | \$29,426 (Note 2(2) B) | \$810,839 | \$- |
| 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 (USD878 thousand) | \$- | \$- | \$26,794 (USD878 thousand) | \$- (Note 2(3)) | 18.77% | \$- (Note 2(3)) | \$12,869 (Note 2(3)) | \$- |

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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)

| | | | | | | | | | | | | |
|----------------------------|---|-------------------|-------------------------|----------------------------------|-----|-----|---------------------------------|---------------------------|------|---------------------------|----------|-----|
| 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) | \$(67) (Note 2(2) B) | 100% | \$(67) (Note 2(2) B) | \$4,658 | \$- |
| 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) | \$1,743 (Note 2 (2) B) | 100% | \$1,728 (Note 2 (2) B) | \$32,427 | \$- |

| Accumulated investment in Mainland China as at March 31, 2019 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment |
|--|---|---------------------------|
| \$901,726 | \$901,726 | \$4,406,050 |

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 were reviewed by the parent company 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.

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 March 31, 2019, and 2018, the Group 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 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 March 31, 2019

| | MLM | Distribution | OEM | Subtotal | Adjustment/ elimination (Note) | Consolidated |
|-------------------|--------------------|------------------|------------------|--------------------|--------------------------------------|--------------------|
| Revenue | | | | | | |
| External customer | \$1,682,203 | \$81,566 | \$249,915 | \$2,013,684 | \$- | \$2,013,684 |
| Inter-segment | 319,130 | 33,585 | 6,622 | 359,337 | (359,337) | - |
| Total revenue | <u>\$2,001,333</u> | <u>\$115,151</u> | <u>\$256,537</u> | <u>\$2,373,021</u> | <u>\$(359,337)</u> | <u>\$2,013,684</u> |
| Segment profit | <u>\$431,722</u> | <u>\$7,283</u> | <u>\$51,858</u> | <u>\$490,863</u> | <u>\$(610)</u> | <u>\$490,253</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 March 31, 2018

| | MLM | Distribution | OEM | Subtotal | Adjustment/ elimination (Note) | Consolidated |
|---------------|--------------------|------------------|------------------|--------------------|--------------------------------------|--------------------|
| Revenue | | | | | | |
| External | | | | | | |
| customer | \$1,584,326 | \$58,351 | \$289,749 | \$1,932,426 | \$- | \$1,932,426 |
| Inter-segment | 299,073 | 24,531 | 1,519 | 325,123 | (325,123) | - |
| Total revenue | <u>\$1,883,399</u> | <u>\$82,882</u> | <u>\$291,268</u> | <u>\$2,257,549</u> | <u>\$(325,123)</u> | <u>\$1,932,426</u> |
| Segment | | | | | | |
| profit | <u>\$411,509</u> | <u>\$(2,879)</u> | <u>\$65,892</u> | <u>\$474,522</u> | <u>\$-</u> | <u>\$474,522</u> |

Note:

Inter-segment revenue is 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 March 31, | |
|--|---|--------------------|
| | 2019 | 2018 |
| Total revenue from reportable segments | \$2,373,021 | \$2,257,549 |
| Other revenue | - | - |
| Elimination of inter-segment revenue | (359,337) | (325,123) |
| Total revenue | <u>\$2,013,684</u> | <u>\$1,932,426</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)

(2) Profit or loss

| | For the three-month period ended March 31, | |
|--|---|------------------|
| | 2019 | 2018 |
| Total profits or loss for reportable segments | \$490,863 | \$474,522 |
| Other profit | - | - |
| Adjustment to post-employment benefits expense in consolidation | (610) | - |
| Profits (loss) before tax from continuing operations | <u>\$490,253</u> | <u>\$474,522</u> |

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Grape King Bio Ltd. and Subsidiaries

Securities held as of March 31, 2019 (excluding subsidiaries, associates and joint venture)

ATTACHMENT I

(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 March 31, 2019 | | | | Note |
|---------------------|-------------------------------------|-------------------------------|--|----------------------|-----------------|-------------------------|-----------------|------|
| | | | | Shares/Units | Carrying Value | Percentage of Ownership | Fair Value | |
| Grape King Bio Ltd. | Stock | | | | | | | |
| | FU-Sheng International Inc.(SAMOA) | - | Financial assets at fair value through other comprehensive income, noncurrent | 917,700 | \$28,008 | 18.77% | 12,869 | |
| | Hsin Tung Yang Co., Ltd. | - | Financial assets at fair value through other comprehensive income, noncurrent | 2,000 | 20 | - | 43 | |
| | Total | | Financial assets at fair value through other comprehensive income, valuation adjustments | | <u>(15,116)</u> | | <u>-</u> | |
| | | | | | <u>\$12,912</u> | | <u>\$12,912</u> | |

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Grape King Bio Ltd. and Subsidiaries

Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2019

ATTACHMENT2

(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 | \$319,130 | 76.60% | Net 30 days after monthly closing | By contract | - | \$139,746 | 59.20% | 2 |
| Pro-partner Inc. | Grape King Bio Ltd. | Parent Company | Purchases | \$319,130 | 100.00% | Net 30 days after monthly closing | By contract | - | \$(139,746) | 98.01% | 2 |

Note1 : If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.

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

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Grape King Bio Ltd. and Subsidiaries

Names, locations and related information of investees as of March 31, 2019 (excluding the investment in Mainland China)

ATTACHMENT 3

(Amounts in Thousands of New Taiwan Dollars)

| Investor | Investee | Location | Main Business | Original Investment Amount | | Balance as of March 31, 2019 | | | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note |
|---------------------|--|----------------------|--|----------------------------|-------------------|------------------------------|-------------------------|--------------------|-------------------------------------|-------------------------------------|--------------------|
| | | | | March 31, 2019 | December 31, 2018 | 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% | \$861,066 | \$28,894 | \$29,533 (Note1) | Subsidiary (Note2) |
| | 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% | 1,978,082 | 315,778 | 188,468 (Note1) | Subsidiary (Note2) |
| | 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% | 32,237 | 1,413 | 1,413 | Subsidiary (Note2) |
| | GK BIO INTERNATIONAL SDN. BHD. | Malaysia | Import and selling of health products | 6,810 | - | - | 30.00% | 6,512 | (116) | (35) | (Note3) |
| | | | Total | | | | | <u>\$2,877,897</u> | | <u>\$219,379</u> | |

Note1 : The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$(360) thousand has been adjusted.

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

Note3 : The Group invested in GK BIO INTERNATIONAL SDN. BHD. in January 2019 amounted NT\$6,810 thousand and the percentage of ownership is 30%.

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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 March 31, 2019

ATTACHMENT 4

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

| Company Name | Related Party | Nature of Relationships | Ending Balance | | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Recognized as Allowance for Bad Debts |
|---------------------|------------------|-------------------------|---|------------------|---------------|------------|--------------|---------------------------------------|---------------------------------------|
| | | | | | | Amount | Action Taken | | |
| Grape King Bio Ltd. | Pro-partner Inc. | Subsidiary | Accounts Receivable -Related Parties | <u>\$139,746</u> | 8.36 | <u>\$-</u> | - | <u>\$139,746</u> | <u>\$-</u> |

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

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Grape King Bio Ltd. and Subsidiaries

Intercompany relationships and significant intercompany transaction for the three-month period ended March 31, 2019

ATTACHMENT5

(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 | \$319,130 | The price by contract | 15.85% |
| 0 | Grape King Bio Ltd. | Pro-partner Inc. | 1 | Accounts Receivable | \$139,746 | The price by contract | 1.27% |

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

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

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

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

(3) represents the transactions between subsidiaries.

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

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