



GRAPE KING BIO LTD

TSE 1707

2017 Annual Report

This translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

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Dear Shareholders,

Thank you for your support and care, and I would like to express my deepest gratitude to you on behalf of Grape King Bio Ltd. (the "Company").

In the year of 2017, the Company faced a series of challenges, and worked diligently to create annual consolidated revenue of NT\$9.388 billion, which was 2% higher than that in 2016. The Company continued its research and development based on the spirit of innovation and development in the year, and in addition to implement supply chain management to optimize inventory and customer orders, currently the Company is setting up a new R&D Longtan plant in the Hsinchu Science Park which is expected to be completed by the end of 2018. To enable customers to understand the Company's corporate mission and provide consumers with a better product experience, the "Grape King Health and Vitality Power Center" of the Company's Tourist Factory was completed in July 2017 to allow the public to experience in person our corporate mission of "being a health expert to take care of the whole family", which makes the Company worthy of their trust.

For the growth of the Company, aside from all our staff for their unremitting efforts, I need to thank the shareholders for your trust and strong support to enable the Company to continue achieving new highs. The following is a brief report to the shareholders on our operating results for the past year:

1. Business Results for 2017

(1) Financial Revenue and Expenditure for 2017

Unit: NT\$ thousand; Earnings per share: NT\$

Item	2017	2016	Growth (%)
Operating Revenue	9,388,128	9,185,021	2
Operating costs	1,523,444	1,265,989	20
Operating margin	7,864,684	7,919,032	(1)
Operating expenses	5,610,389	5,685,010	(1)
Operating net profit	2,254,295	2,234,022	1
Non-operating income and expenses	151,175	78,477	93
Net profit after tax	1,934,732	1,886,920	3
Earnings per share	10.03	9.82	2

In 2017, due to a higher bonus and income tax paid as well as the land acquisition compensation income due to the cooperation with Taoyuan Municipal Government's urban plan in 2016, the net cash inflow from operating activities was NT\$2,495,656 thousand, NT\$307,472 thousand lower than that in 2016. Cash and cash equivalents at the end of 2017 increased by NT\$21,195 thousand from the end of 2016, and the financial condition was good.

(2) Analysis of Profitability in 2017

Item	Percentage (%)
Return on assets	20.05
Return on equity	31.95
Ratio of Pre-tax net profit to paid-up capital	177.90
Net profit ratio	20.61
After-tax earnings per share (NT\$)	10.03

(3) Research and Development Status

The Company continues its efforts in new product research and development, new market development and enhancement of internal operations effectiveness in a hope to meet customer needs with high-quality products, and face industry and market challenges and uncertainties with a high degree of resilience so as to maintain our competitiveness and profitability. Therefore, new products like Super 13 Pro & Prebiotics, Hericium King Capsules, GoldCombest, Probiotics flavor cream roll, Blaze mushroom cookies, Versicolor health snack and Combest Ice Cream were introduced in 2017 and received good feedback from consumers. In addition, (Antrodia King, Bio Aid 995 and Cordyceps) obtained the US FDA's GRAS certification.

In the future, the Company will continue to invest its resources to develop new materials with professional biotechnology organizations or domestic tertiary institutions. We will also strive to upgrade our existing products to enhance the effectiveness of health care, and strive to pass the health food review by the Ministry of Health and Welfare of the Executive Yuan.

2. Overview of 2017 Business Plan

(1) Operating principle and important production and marketing policies

The Company's greatest strength is its brand recognition. We uphold the PIC/S GMP pharmaceutical quality control spirit in the automated in-house production process from raw materials to finished products. In the raw material re-examination, the production line spot check and the finished product inspection before entering the warehouse, the Company monitors the entire production process at all times and pays attention to product control, production and product quality in order to make good products for the whole family! The Company continued implementing its philosophy of "being a health expert and take care of the whole family" in its products over the years, and gave full play to its greatest advantage of "creating quality products with advanced equipment, maintaining annual product innovation through professional R&D, and creating popular products through active marketing". The Company continues developing health products that meet the various health needs of nationals, and can be regarded as the leading brand of domestic healthcare products.

Under the leadership of the founder and Chairman Sheng-Lin Tseng, the Company leads the industry in the upgrade of biotechnology equipment and R&D to manufacture and market our own brand. We have gradually become visible in the biotechnology industry with our accurate marketing capability and diversified distribution channels. In 2018, we will continue creating a new business peak with our steady footsteps.

(2) Impact from the external competitive environment, regulatory environment and overall business environment

According to the estimate of Transparency Market Research, the average annual compound growth rate of the global health food market will be 7.3% from 2015 to 2021. In 2021 the market size will be US\$207.9 billion, and the Asia-Pacific region will be the second largest nutrition and health food market in the world. Because of this trend, the Government vigorously promotes the biotechnology industry as one of the five major innovative industries, and expects Taiwan to establish itself as an R&D center for the biotechnology and medical industry in the Asia-Pacific region. As a participant in the biotechnology industry, the Company will cooperate in the "Bio-economic Industrial Development Project" of the Executive Yuan for future development and continuous growth.

All the information indicates that the future aging population and "life-style related diseases" such as obesity, hypertension, hyperglycemia, high blood fat, etc. will take up a major portion of medical expenses. These problems, coupled with the citizens' lack of sports fitness and health awareness, will be the key driving force to prompt consumers' purchase of health foods.

A sustained, natural and gentle way of health maintenance should be the best solution for the modern people to stay healthy and balanced. With this goal in mind, the Company is committed to the development of natural ingredients beneficial to the human body, and develops natural health foods with an aim to promote the health, energy and longevity of the modern people against "civilization syndromes" and to provide high-quality health preservation measures.

Due to the impact of food safety issues in recent years, the competent authorities have set more stringent controls and regulations for food safety. As the Company has set high standards for its business management from the beginning, the regulatory environment changes have no significant impact on its operation. On the contrary, the amendments to the laws and regulations will gradually eliminate manufacturers that do not meet the criteria, thus elevating the industry's entry barrier, and adding to the Company's advantage.

(3) Honors and awards

In 2017 the Company had an outstanding performance in the corporate, product and the core technology aspects. The awards won by the Company included "No. 32 among the Top 100 Enterprises the New Generation Wants to Work for in 2016" and "No. 1 in the Medical and Biotechnology Category" of Cheers Magazine Special Issue No. 184, "No. 3 in Pharmaceutical and Biotechnology Category for Four Consecutive Years, 2017 Top 2000 Enterprise Survey" of Commonwealth Magazine Issue No. 622. The Company was certified as a "Healthy Workplace" by the National Health Administration of the Department of Health and Welfare, and in the meantime, it was assessed as a "Sports Enterprise" by the Sports Department of the Ministry of Education.

In the technology research and development aspect, in 2017 the Company won 8 gold, 6 silver and 2 bronze medals and 4 special awards in 6 countries. With its patented technologies of Cicada, Hericium erinaceus and Antrodia cinnamomea, the Company won various domestic and international awards, including 1 gold, 1 silver and 1 bronze medals and 1 special award at the 45th Geneva Invention Award, 1 gold and 1 silver medals and 1 special award at the 2017 Pittsburgh International Invention Award, 2 gold medals and 1 special award at the 2017

Nuremberg International Invention Exhibition, 2 gold and 1 silver medals at the 2017 IIC International Innovation & Invention Competition, and the "14th National Innovation Award". Products manufactured with Grape King R&D team's outstanding technology are also highly recognized. The Ganoderma King and the Probiotic series of products respectively won the Excellence and the Outstanding Award of the "2017 Yahoo! Health Brand Awards" jointly organized by YAHOO! and "Goodmorning Health", and [Marigold Lutein QQ for Kids] won the "Innovative Product Concept Award" of the Taiwan Food Science and Technology Society.

The Company's subsidiary Pro-Partner Ltd. (hereinafter referred to as "Pro-Partner"), under the outstanding leadership of Chairwoman Chang-Yeh Tseng and General Manager Mei-ching Tseng as well as the guidance of the six consultants, has been growing steadily and rapidly in recent years, and has been number one in the local direct sale business for many years. In 2017 its business turnover exceeded NT\$8 billion, and ranked number two in Taiwan's direct sale business. It can be called the pride of Taiwan's direct sale business.

(4) Corporate social responsibility

With the continuing growth of the Company, we not only attach importance to the Company's operating performance, but are grateful to the society for its assistance and support, and will continue to actively strive toward a sustainable operating environment and social welfare contribution. Under our core values of "Technology, Health and Hope", the Company upholds the idea of "caring social responsibility and making a better society". The Company's corporate social responsibility strategies can be divided into six major categories: corporate governance, food safety, R&D and innovation, employee relations, social coexistence and green environment.

i. Corporate Governance

With the expectation of sustainable development, the Company's corporate governance policy, in addition to complying with the requirements of laws and the Company Corporate Charter, also emphasizes on building an effective corporate governance structure, protecting shareholders' rights, strengthening the functions of the Board of Directors, fully exercising the functions of the supervisor, respecting the rights and interests of stakeholders and improving information transparency. The Company will continue strengthening the effectiveness of its Board of Directors to enhance its functions, conduct corporate governance assessments to shape the corporate governance culture, build and perfect the stakeholder communication platform to promote shareholder activism, and enhance the quality of non-financial information disclosure to strengthen corporate governance information disclosure.

The responsibilities of the Board of Directors include the formulation of company policies or decisions on major business matters. In addition to complying with its "Code of Practice for Corporate Governance", the Company assesses the independence of the external auditor annually and the results are reported to the Board of Directors for approval. The independent directors regularly communicate with the internal audit supervisor and the accountant in order to fully exercise the functions of the independent directors and have an in-depth understanding of the Company's financial reports as well as financial and business conditions. The Company also regularly purchases "Director Supervisor and Key Staff Liability Insurance" for directors and supervisors to reduce and decentralize the risk of serious damage to the Company and shareholders caused by mistakes or negligence of the directors.

The supervisor's responsibility is to supervise the Company's quality and integrity in

performing accounting, auditing and financial related reporting processes as well financial controls. His main functions are to exercise his powers in accordance with the provisions of the Company Law, and assist the Board of Directors in improving the quality of the Company's accounting and financial reporting as well as internal control procedures. The Company's internal audit report is submitted by the internal audit supervisor and delivered to the supervisor for review in order to facilitate the exercise of the supervisor's function. In 2017, the Company's independent directors and supervisors did not raise any objection to or have reservation on the motions of Board of Directors.

In addition, the Company has a "Contact Us" mailbox, a dedicated consumer service telephone line, an internal "employee's mailbox" as well as a "stakeholder's area" on its website to provide investor and commodity related consulting services and OEM services, as well as to serve as a report box for suppliers and employees and a communication channel for CSR issues. Dedicated staff members are responsible for responding to stakeholders' issues of concern. The Company also has set up a website in both English and Chinese to disclose financial, business and corporate governance information. It also assigns designated personnel for information collection and disclosure, and has implemented the spokesperson system in accordance with regulations to improve information transparency.

ii. Food Safety [Strict checks for health and safety]

The Company has strict control over food safety. It has obtained the certification of ISO22000 (Food Safety Management System), HACCP (Hazard Analysis Critical Control Point, certification by UKAS which is accredited by the UK government) and NSF GMP-Dietary Supplement (certification by U.S. National Health Foundation), and has applied controls over healthcare foods nearly as rigorous as those of cGMP for drugs. In addition to the aspect of system management, Grape King also applies rigorous controls over food safety inspection, and established an ISO 17025 international-standard food safety laboratory to make its inspection reports more internationally credible. On the quality control of raw material supply, professional equipment is employed for the inspection of microorganisms, plasticizers, pesticides detection, heavy metals, etc. in each batch. The Company's product quality requirements are even stricter than those in domestic regulations. In addition, the Company's internal traceability system ensures the traceability of product and raw material information in order to ensure product quality and customer comfort.

iii. R&D and Innovation [Careful research and exclusive innovation]

Over the years the Company has been actively working with tertiary institutions for industry-university cooperation. In addition to the most timely and most advanced biotechnology-related information given to the academic community, the Company arranges many young students to visit its factory and for internship opportunities, and is willing to share professional skills with students in a hope to cultivate young students' competitiveness in the workplace through industry-university cooperation, and create a seamless connection between the Company and schools. In addition, the Company works closely with schools and training institutions, and sends its outstanding colleagues to work as lecturers for tertiary institutions and professional training institutions to guide graduate students and assist in their master and doctoral dissertations, and cultivate biotechnology industry-related professionals for the country. The projects over the years are briefly described as follows:

- (i) Supported the Vocational Training Bureau in providing lecturers to Food Industry

- Research and Development Institute and Research Institute of Agriculture.
- (ii) Sponsored the annual meetings of the Biochemical Engineering Society of Taiwan, Health Food Society of Taiwan, Agricultural Chemical Society of Taiwan, Quality Assurance Association, Food Science Society of Taiwan, Lactobacillus Society of Taiwan and Fungi Society of Taiwan, Taiwan Association for Food Protection, China Association of Animal Husbandry and Taiwan Association of Traditional and Alternative Medicines.
 - (iii) Participated in the Industry-Academia Cooperation Project of the National Science Council (Chang Gung University of Science and Technology, Soochow University's Department of Microbiology, etc.).
 - (iv) Promoted the exchange between industry and academia by inviting faculty and students of relevant university departments to visit the production line (totally 43 sessions and 1,171 participants in 2017), offering internships (totally 40 schools and 72 interns in 2017), giving keynote speeches and co-directing university students (National Kaohsiung Marine University, Pingtung University of Science and Technology, Helsinki University, etc.).
 - (v) Assisted universities and research institutions on test production, provided industry vision to graduate students (Food Industry Research and Development Institute, National Synchrotron Radiation Research Center, Taiwan University, Chung Hsing University, National Taiwan Ocean University, Chung Yuan Christian University, Datong University, Shih Chien University, Vanung University, Hungkuang University, Pingtung University of Science and Technology, and Animal Technology Laboratories).
 - (vi) Participated in university students' master and doctoral dissertations and evaluations (Pingtung University of Science and Technology, Taiwan University, Chung Hsing University, Da-Yeh University and Shih Chien University).
 - (vii) Served as a member of the Special Project Review Committee of the Ministry of Economic Affairs to assist the Ministry of Economic Affairs in the review of special project plans, two special projects.
 - (viii) Served as a member of the Technology Committee of the Bureau of Standards, Metrology and Inspection.
 - (ix) Served as a member of the Industry-Academia Cooperation Program Review Committee of the Ministry of Science and Technology.
 - (x) Served as a member of the Great Talent and Bold Vision Plan Review Committee of the Ministry of Science and Technology.
 - (xi) Served as a lecturer of the Science Education Program of the Science and Education Division of the Ministry of Science and Technology.
 - (xii) Served as a corporate mentor for Asia University's Department of Healthcare Administration, Tunghai University, Shih Chien University, National Cheng Kung University, Yuanpei University of Medical Technology, Pingtung University of Science and Technology and Daye University
 - (xiii) Served as a review member of the Innovation and Entrepreneurship Program for the of Cross-field Biotechnology Industry Elite Training at Chung Yuan Christian University
 - (xiv) Served as an off-campus internship and technical teacher for Chang Gung University
 - (xv) Supported the teaching in food science of the international master's degree of Pingtung University of Science and Technology, with the entire teaching conducted in English; exchanges were made with international students and good follow-ups were achieved
 - (xvi) Served as an appraisal member and professional member of the Committee of Food

Professional Ability Identification.

- (xvii) Served as a university curriculum advisor and departmental affair advisor for universities including Chung Yuan Christian University, Yuan Ze University, Southern Taiwan University of Science, Chaoyang University of Science and Technology, Pingtung University of Science and Technology, Chia Nan University of Pharmacy & Science, Yuanpei University of Medical Technology and Ming Chuan University.
- (xviii) Acted as a supervisor and reviewer of various societies and government agencies to make a contribution to the industry (Director of the Taiwan Niu-Chih Industry Association, Standing Director of the Lactobacillus Society of Taiwan, Director of the Agricultural Chemical Society of Taiwan, Director of the Chinese Biological Resources Application Association, Director of the Health Food Society of Taiwan, Director of the Food Science Society of Taiwan and Supervisor of the International Life Sciences Institute Taiwan)
- (xix) Since 2013, Chairman Tseng has been personally participating in the Enterprise Talent Training Project of the Taiwan Institute of Directors and acting as the project mentor of the students. Up to 2017 the Company continued to share its management experience and provide to students the Company's internship opportunities, such as participation in the Company's marketing projects and product development projects. We expect to help young students to increase their practical experience by combining the resources of academia and the business community, and narrow the gap between theory and practice after they graduate.

iv. Employee relations [Being people-oriented to grow hand in hand]

Creating a sense of happiness for the staff has been the main direction of the Company. The Company allows its staff to experience the diversity of life and generate more vitality through a variety of activities.

- (i) Since 2014 the Company has been holding the staff family day activity every year to enrich the employees' life experience, and encourages them to participate with their family members. The Company also promotes the corporate social responsibility point-collection mechanism to allow the employees to experience the diversity of life through a variety of activities, such as exhibitions, public welfare activities, science exhibitions and sports events.
- (ii) To enhance the health care of employees, in 2016 the Company encouraged employees to participate in health-promoting activities during their off-work hours, and internally launched the "2016 Grape King GO Health, Weight Loss Competition" to promote weight control and reduce obesity-related morbidity. The Company held health-related lectures from time to time on topics such as body fat testing, bone density testing, stress-relieving Chinese acupoint massage and influenza vaccination. The Company also held "Stress-relieving In-factory Massage Services" and "Hsinwu Green Tunnel Bicycle Tour" for the employees to ease the pressure and relax the mind in their spare time, in order to achieve the Company's core concept of employee health. We also obtained the 2017 Healthy Workplace certification (Health Activation Badge) and the AED Safe Workplace certification, and are proved to provide a friendly work environment.
- (iii) The Company continues attaching importance to employees' safety and health management, and obtained OHSAS 18001 and TOSHMS occupational safety and health management system certificates in 2017. The Company regards employees as its

important assets, and for the health of the employees it planned a complete health examination program and held related health promotion activities to allow all employees to receive comprehensive health care, with the ultimate goal of promoting autonomous health management of the employees. In addition, the Company exceeds the relevant legal requirement by employing professional specialist physicians to visit the factory once a month for 2 hours each time for health management and health promotion work such as health consultation, health care, breastfeeding care and consultation during pregnancy, work site visits, work-related injury assessment and consultation, evaluation of work distribution and evaluation of work resumption. The Company formulated four major plans for the protection of workers' health, and started implementing related hazard prevention measures. Through risk assessment, risk control and management improvement, the Company keeps improving the health of its employees, and obtained the Sports Enterprise Certification, the Taoyuan City Excellent Nursing Room Certification (quality award) and the Health Workplace Certification (Health Activation Badge) for its Zhongli and Pingzhen plants in 2017.

- (iv) In order to effectively unify the staff and obtain team consensus, in 2017 the Company regularly organized "GPS Navigation - Seeing the Technology of Grape King" intra-company visits to allow the staff to better understand the Company's operating conditions and cross-departmental business.
- (v) In order to increase the benefits of employees, in 2017 the Company actively signed special contracts with various external vendors to cover areas such as food, clothing, housing, transportation, education, leisure and medicine.

v. Social coexistence [Being enthusiastic about public welfare and spreading hope]

For the society, in addition to being committed to providing the socially disadvantaged groups with financial and learning-aid donations and support, the Company utilizes its advanced biological technology to continuously research and develop products beneficial to social groups, in a hope that through its organization and participation of various public welfare activities, it may link the employees to the whole society, and have more people pay attention and devote themselves to social welfare.

- (i) Grape King established the Grape King Baseball Team in the early days, and sponsored golf teams and organized activities such as Face the Sun and Stay Away from Drugs, accident prevention and control, child welfare work, disaster relief, Zhongli ambulance donation and taking ownership of fire hydrants.
- (ii) Since 2013 the Company has been maximizing the efficiency of every public-interest resource through actual participation and monitoring, and set up a Corporate Social Responsibility Group to continuously work with schools, the Government and various public welfare groups.
- (iii) The Company continues contributing to the Benevolence Fund for elementary and junior high schools (e.g., Pingzheng Junior High School, Zhongli Junior High School, Longxing Junior High School and Longgang Elementary School), and visits vulnerable families with the schools at the end of each year to help disadvantaged children to realize their dreams
- (iv) The Company assists the Bali See-the-Spring Dog Park with the construction of the Dog Park's site and utility equipment, as well as collected clothes from the employees in the winter to help dogs survive the cold winter and increase their adoption rate in order to

reduce the number of stray dogs. In May 2017, a fire broke out and damaged the dog park. In the process of fire rescue, the dog park owner suffered a 8% second-degree burn on the buttocks and thighs, and nine dogs unfortunately died in the fire. The Company made a rescue donation to rebuild the dog park, provided rearing subsidies and donated a motorcycle to facilitate the transportation of dog food for the rebuilt dog park to ease its difficulties.

- (v) In 2015 the Company encouraged its employees to participate in public welfare activities, and the average number of participants per activity was nearly 50. These activities included the Classroom for Mentally Challenged Children series of activities organized together with Chensenmei Social Welfare Foundation in which the Company led its volunteer employees to accompany mentally challenged children and cultivate their service enthusiasm; the Company set up a public welfare booth on the family day and raised nearly NT\$100,000 for public welfare services; the Company also led nursery school children to see movies and had a farm ecology tour. Up to this day, the Company keeps encouraging its employees to serve as "Grape King volunteers" to actively participate in public welfare activities.
- (vi) In 2016 the Company's employees volunteered to assist in the Private Tihui Nursery School's "Cycling around the Island" activity, and accompanied the children to take an adventure trip around the island. The Company also offered flexible leaves for half of the hours spent to encourage more employees to volunteer. In 2017, the Company's employees once again accompanied the children of the nursery school to take part in the outdoor adventure of the "Little Street Soldiers of Tihui ~ Flash, Music and Ocean Season" event to experience the pressure of the crowd through the music flash activity, and bring to the children positive emotional self-adjustment and good interpersonal experience
- (vii) In the "Reindeer around the Island" project in 2016, the Company invited the employees to participate in the Christmas shoebox collection activity to care for disadvantaged children in remote schools, enhance the spiritual level of children, promote moral education and spread the warmth and joy. The Company also funded the remote school Chiayi Guogou Junior High School, sponsored three-axis mobile phone stabilizer sets, and interpreted the essence of the micro-film "Recording the Story of Life"
- (viii) The Company donated a New Year's dinner at the end of 2016 to care for the elderly living alone, in the hope that the elderly people are not left alone on the New Year's Eve and may feel the love and care. In 2017, the Company launched the "Love and Reunion, Taking Care of the Elderly" event and continued to care for the elderly who lived alone. Andrew Tseng, Chairman of the Company, led the staff to dinner with the elders, served them the year-end dinner, and provided warm gloves made by the volunteers for the elders to wear. Everyone accompanied the elders to spend the year end.
- (ix) In 2016 the Company encouraged Taiwan's elderly group to have a stage to realize their dreams, supported the elderly to step into the society through its "Santa Claus Training School" and allowed the disadvantaged group to spend a warm Christmas. In 2017, we continued to care for the elderly and invited these silver-haired Christmas "Santa Clauses" to the "Grape King Health and Vitality Power Center" to celebrate Christmas with the local people
- (x) In 2017, the Company provided assistance to Taipei City University's table tennis players of economically disadvantaged families by offering a long-term training program that includes assistance in meal expenses and tuitions, and funded excellent and potential

- players to compete in the future in domestic and overseas competitions
- (xi) In the “Disadvantaged Schoolchildren Experience” event in 2017, the Company offered mentally disadvantaged students of the local Longxing Junior High School a chance to learn about the environment and process of the social factory’s operation, and arranged a tour of the production line and consultation as well as a tour of the sightseeing factory and interactive experience.
 - (xii) In 2017, the Company continued the “Caring for Remote Rural Schools” Christmas Gift Box Donation event for the second consecutive year, and a total of 39 schoolchildren of two schools (Yushan Elementary School and Waishe Elementary School) benefited from it. In addition, the Company funded three schools in Pingtung (Guhua Elementary School, Chingshan Elementary School and Wutan Elementary School) and offered vests and school sportswear as well as physical education training equipment and balls to the aboriginal schools to enhance the competitiveness of the students' health and sports capabilities.
 - (xiii) In 2017, the Company moved its "Care for the Aborigines" event to Luofu Elementary School in Fuxing Township, and presented a picture book set of the aborigines' stories. This picture book set is a translation of the stories into Atayal, Paiwan, Bunun and Ami ethnic languages and English. It is hoped that through reading the books the students can improve their knowledge and allow the rich culture of the aborigines to continue.
 - (xiv) In 2017, the Company cooperated with the China Andre Charitable Association in the "Food Box Assistance" event, and donated 200 boxes of food and 200 boxes of Probiotics flavor cream roll, a limited product from the Company's tourist factory. The food was delivered to disadvantaged families in Taoyuan and Hualien.
 - (xv) In 2017, the Company launched the "Mentally Challenged Little Peasant Fruit Tree Cultivation" event to care for the severely disabled patients of economically disadvantaged families accommodated by the Canaan Nursing Home for Physically and Mentally Handicapped. Through the healing course of fruit tree adoption, the "mentally challenged little peasants" plowed the farm, weeded, turned over and fertilized the soil together to take care of the farm as their green healing course to relieve the mentally challenged children of their psychological pressure and effectively reduce their occurrence of abnormal behavior.
 - (xvi) In 2017, the Company launched "The Color of Music for the Visually Impaired" event. Visually impaired people can only listen to and memorize the melody in the process of music learning. The Company funded their learning by making music scores into “musical Braille scores”, so that not only visually impaired friends who do not have access to music scores or are enthusiastic and interested in music can freely use these musical Braille scores, but visually impaired musicians can increase their competitiveness in music.
 - (xvii) In 2017, the Company cooperated with the Garden of Hope Foundation in the “Care for Women” event, and assisted the reconstruction of women’s and children’s lives in the aftermath of family violence, including the financial pressure of the victims and the education, care and housing of the accompanying children, so that women, girls and children witnessing family violence can have a healthy development of the body, mind and spirit. Through the Women's Relief Fund, the Company also assisted victims of family violence who do not qualify for government grants to use emergency relief funds as emergency travel expenses and medical expenses.
 - (xviii) In 2017, the Company launched the “Heart-Warming Christmas Feast” series of events,

and spread the joy of Christmas to the elderly, children, mentally challenged kids and women in every corner to enable the service objects of different institutions to feel being cared for and celebrate the festive season. The Company also expected that through these events, more people could be brought together to pay attention to disadvantaged groups and help those in need (a total of 13 institutions were awarded the Heart-Warming Christmas Feast, including the Baby Potential Development Center, Hongdao Elderly Welfare Fund, Eden Foundation, World Peace Foundation, Zhongli Junior High School, Pingzheng Junior High School, Longxing Junior High School, Longgang Elementary School, Tihui Nursery School, Chensenmei Social Welfare Foundations ... etc.).

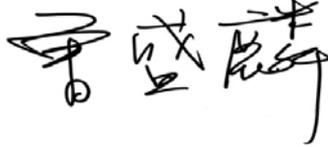
vi. Green environment [Green business, sustainable environment]

In order to protect the environment for the next generation, the Company promises to take into account environmental protection and the happiness of the next generation in all its production activities, and attaches great importance to its environmental protection mission. Its environmental policies are as follows:

- (i) Sewage and air pollution control: To fully support and implement the global green policy and ensure that the waste material generated in the production process meets the national environmental standards, in 2016 the Company replaced the equipment of its wastewater processing plant to enhance the processing capacity of the plant. In 2017, the Company introduced clean energy and rebuilt the boiler equipment to use clean energy (natural gas) as the fuel to reduce air pollution. The Company invests millions each month in maintenance and processing costs, and set up and planned various protective facilities and measures for effective prevention of water and air pollution, with zero pollution being the ultimate goal.
- (ii) Introduction of the ISO14001 Environmental Management System: The Company adopted the PDCA operating model of the ISO Management System, and improved environmental protection and management performance through the methods of hazard identification, risk assessment, risk control, management improvement and regular audits. The Company also obtained the ISO14001 Environmental Management System certification.
- (iii) Noise control: In 2016, the Company installed a sound attenuator at the exit of the dust collector in the processing area in order to effectively reduce the noise of the factory. In addition, in 2017 the Company optimized the sound insulation and noise reduction facilities in the public support system area to enhance the environment quality for the surrounding residents.
- (iv) Energy saving and carbon reduction: In 2015 the Company for the first time launched the "Love the Earth, No Carbon Gas" project to facilitate the implementation of energy-saving carbon reduction. The Company's carbon reduction target is 228,881 kg or more, exceeding the carbon reduction target of 80,000 kg by 186%. The Company also implemented a green point collection system to encourage the employees to start from themselves. In order to effectively use the waste heat from processing, in 2016 the Company set up a hot steam recycling system to recycle the waste heat in the processing area to the boiler system to enhance the efficiency of energy use and reduce the boiler's fuel consumption. The Company uses recycled paper for the photocopying paper, and has a resource recovery area for proper garbage classification. The lights in the factory and the office area are off for 1 hour every day from 12 pm to 1 pm.

To sum up, the range of the Company's public welfare activities has been broadened under my leadership. They cover all walks of life and the care for disadvantaged animals. It is expected that through these activities, the staff may understand that "everyone can have the power to nourish the society with just a small contribution". The Company also expects to be a leader in social welfare with its good corporate image, and inspire more enterprises to jointly fulfill their corporate social responsibilities.

Finally, I wish you all good health and happiness.



Chairman and GM

Andrew Tseng

1. Establishment date: July 26, 1969

2. Company history:

1969	● [Grape King Bio] set up "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." as the predecessor of the Company. The address was No. 60, Section 3 Longgang Road, Zhongli City, Taoyuan County, and the capital was NT\$5 million.
1971	● [Grape King Bio] China Fusang Shenghuang Pharmaceutical Industry Co., Ltd. increased its capital by NT\$13 million to NT\$18 million to expand its production facilities and purchase equipment. "Grape King Food Co., Ltd." was established as one of the predecessors of the Company. The company address was No. 60-9, Section 3 Longgang Road, Zhongli City, Taoyuan County, for the production of health foods such as Combest P and Lewei.
1973	● [Grape King Bio] "Grape King Food Co., Ltd." increased its capital by NT\$24.5 million to NT\$25 million to meet the needs of business expansion. A new four-story and a new five-story building were built, covering a total area of about 3,100 pings. "Kangbeishiang Cosmetics Co., Ltd." was set up, which changed its name to "Head & Shoulders Cosmetics Co., Ltd." in 1976.
1977	● [Grape King Bio] "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." and the world famous factory "US Schering Pharmaceutical" started their technical cooperation.
1979	● [Grape King Bio] "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." and "Grape King Food Co., Ltd." merged into "Grape King Enterprise Co., Ltd." with a capital increase of NT\$53.5 million. The paid-up capital became NT\$15 million.
1981	● [Grape King Bio] Merged "Head & Shoulders Cosmetics Co., Ltd." into a single company now for the purpose of centralized marketing and management operations.
1982	● [Grape King Bio] In December the Securities Exchange Commission of the Ministry of Finance approved the company's public listing.
1984	● [Grape King Bio] In accordance with the provisions of the Government to implement the GMP (Good Manufacturing Practice) system and manufacture quality pharmaceutical products that meet international standards, the Company arranged a cash injection of NT\$36.2 million to improve the factory environment and expand the production equipment. The paid-up capital became NT\$230 million.
1987	● [Grape King Bio] The implementation of the GMP system to improve the factory environment and the expansion of production equipment were completed, and in November of the same year the Company was certified by the Department of Health, the Executive Yuan as a "G.M.P. Implemented Pharmaceutical Factory".
1990	● [Grape King Bio] For the development of new products, the improvement of the working environment of the food factory and the expansion of automated production equipment, the Company used the 1988 surplus of NT\$46.92 million to increase its capital, and the paid-up capital became NT\$276.92 million. In the same year the Company used the 1989 surplus of NT\$56,737 thousand to increase its capital to add the automated production equipment for easy-to-open canned drinks, Combest and the Head & Shoulders Shampoo series in order to

	<p>expand production capacity. In addition, to improve the timeliness of product supply for sales and reduce the cost of transportation, the Company planned to set up a delivery center and arranged a cash injection of NT\$200 million.</p>
1991	<ul style="list-style-type: none"> ● [Grape King Bio] Completed the cash injection and the capital injection from the 1989 surplus in February, and the paid-up capital became NT\$533,657 thousand. In view of the convenience and environmental friendliness of aluminum foil boxes, the Company purchased a set of aseptic production equipment for aluminum foil packaging and its peripheral facilities for the launch of its Kimoji Easy-to-Open Drink this year and the future development of new products. ● [Grape King Bio] Set up a bio-engineering center for the research and manufacturing of biotechnology products. ● [Grape King Bio] Moved the Zhongli warehouse to the Pingzhen factory which covers an area of about 3000 pings. A dedicated logistics center was also set up.
1992	<ul style="list-style-type: none"> ● [Grape King Bio] Was approved in March to use the 1990 surplus of NT\$54,918,500 to increase its capital. The Company also expanded its production equipment, recruited well-known domestic microbiology and biochemical engineering experts for its development of bio-engineered nutrition food, introduced Japan's latest equipment for computer-controlled production, and researched and developed biotechnology products. It officially transitioned from pharmaceutical manufacturing to functional nutrition food research and development. ● [Grape King Bio] The paid-up capital was NT\$588,575,500. It used the 1991 surplus of NT\$60,515,350 to increase its capital by issuing new shares, and the paid-up capital became NT\$649,090,850.
1993	<ul style="list-style-type: none"> ● [Grape King Bio] Was approved in March to use the 1992 surplus of NT\$66,341,910 to increase its capital by issuing new shares in order to add automated pull-cap production equipment. The paid-up capital became NT\$715,432,760.
1994	<ul style="list-style-type: none"> ● [Grape King Bio] Used the 1993 undistributed surplus of NT\$73,770,340 to increase its capital by issuing new shares in order to expand its production equipment as well as equipment for pure water, electricity and other items for the development of new products and production capacity improvement. ● [Shanghai Grape King] Was approved by the Ministry of Economic Affairs to set up the Shanghai Grape King Enterprise Co., Ltd. in the mainland through a third-country investment for the manufacturing and sale of all kinds of health food, bio-engineering technology and related glass containers as its major business.
1996	<ul style="list-style-type: none"> ● [Grape King Bio] Used NT\$88,230,430 from the 1995 surplus and capital reserve to increase its capital in order to improve the capital structure. The paid-up capital became NT\$957,684,910.
1997	<ul style="list-style-type: none"> ● [Grape King Bio] Used NT\$ 96,726,750 from undistributed earnings to increase its capital, and the paid-up capital became NT\$1,054,411,660. ● [Grape King Bio] This year the biotechnology center developed a variety of successful products such as Ganoderma King, Biolacto Powder and 995

	<p>Nutrient Drink. The Company created a high visibility for the products in a short period and led to a competition in the Ganoderma market</p> <ul style="list-style-type: none"> ● [Shanghai Grape King] the first product - Combest drink was launched
1998	<ul style="list-style-type: none"> ● [Grape King Bio] Appropriated NT\$63,774,210 from its 1997 surplus to increase capital, and the paid-up capital became NT\$1,118,185,870. In November, a cash injection of NT\$190 million as approved by the competent authority was arranged and the paid-up capital became NT\$1,308,185,870. ● [Pro-Partner] Made a filing to the Fair Trade Commission of the Executive Yuan to legally promote its business via multi-level marketing; the Taipei Head Office was set up.
1999	<ul style="list-style-type: none"> ● [Grape King Bio] Completed the cash injection in February, and moved towards the goal of expanding biotechnology research and development.
2000	<ul style="list-style-type: none"> ● [Grape King Bio] The biological engineering center developed a variety of biotechnology products in this year, such as Agaricus Blazei King, Antrodia King, Hericium mycelium and Coriolus versicolor mycelium. It also developed the 200p (Pro) Drink which gradually became a rising star; the sales revenue has been growing year after year and it has become one of the Company's main product. ● [Pro-Partner] Set up its Taichung Operations Center.
2001	<ul style="list-style-type: none"> ● [Grape King Bio] The biological engineering center developed Grifola frondosa, Coriolus versicolor, Cordyceps militaris and other raw materials, and introduced a variety of new tastes for aluminum foil boxes to meet market demand. ● [Pro-Partner] Both Antrodia Aqua and Probiotics & Prebiotics won the "1st Food Gold Award of China Evening News".
2002	<ul style="list-style-type: none"> ● [Grape King Bio] The Company changed its name to Grape King Bio Ltd. ● [Grape King Bio] Premium Ganoderma King won the National Biotechnology and Medical Quality Award. ● [Grape King Bio] Started its diversification, and biotechnology products greatly improved the Company's operations. Besides, OEM also became an important new business. ● [Grape King Bio] 995 Super Nutrient Drink and Antrodia Aqua became the finalists of the National Biotechnology and Medical Quality Award.
2003	<ul style="list-style-type: none"> ● [Grape King Bio] Made up for the losses in 1998, 1999 and 2000 and showed a profit. ● [Pro-Partner] Probiotics & Prebiotics won the National Biotechnology and Medical Quality Award.
2004	<ul style="list-style-type: none"> ● [Grape King Bio] Antrodia camphorate OEM entered the Singapore market, and the biological center purchased a 40T fermentation tank to double the production capacity. ● [Pro-Partner] Set up the Taoyuan Operation Center and the Pingzhen Delivery Center.
2005	<ul style="list-style-type: none"> ● [Grape King Bio] Passed cGMP pharmaceutical certification of the Department of Health, Executive Yuan, and the biological center added a mobile layer dryer, expanded its capacity and developed new formulations. ● [Grape King Bio] Subsidized by the Two-year Traditional Industry Upgrade

	Project of the Ministry of Economic Affairs.
2006	<ul style="list-style-type: none"> ● [Grape King Bio] Signed a contract with the Food Industry Research and Development Institute for the transfer of two membrane concentration technologies; would be able to recycle high-priced protein drugs, and step into the field of biotechnology pharmacy.
2007	<ul style="list-style-type: none"> ● [Grape King Bio] Subsidized by two projects of the Ministry of Economic Affairs for the development of anti-helicobacter pylori lactic acid bacteria products and plant endophytic biological fertilizer formulations. ● [Pro-Partner] Set up the Fengyuan Operations Center.
2008	<ul style="list-style-type: none"> ● [Grape King Bio] Won the Taoyuan County Second Evergreen Outstanding Enterprise Award. ● [Grape King Bio] “Antrodia camphorate” was granted the Republic of China Patent No. I296929. Antrodia salmonea was granted the People's Republic of China Patent No. ZL200510095801.1. ● [Grape King Bio] Constructed an automated production and packaging plant for biotechnology products and the second fermentation plant. ● [Pro-Partner] The revenue reached NT\$1.62 billion for the first time and surpassed that of Grape King, and the company became number eight among the nation’s direct sales merchants.
2009	<ul style="list-style-type: none"> ● [Grape King Bio] Was subsidized by the Agricultural Biotechnology Research and Development Result Industrialization Project and started the fermentation production and product development of Ganoderma lucidum immunoregulatory protein. ● [Pro-Partner] Set up the Hsinchu Operations Center; the total revenue was NT\$2.2 billion, ranking the sixth in Taiwan’s direct sales industry and the first among local direct sales merchants.
2010	<ul style="list-style-type: none"> ● [Grape King Bio] Began to expand the biological center’s 3rd fermentation plant, which contains two 40T fermentation tanks and six 500L’s. Test production is expected in June 2011. ● [Pro-Partner] The Taipei Operations Center’s new building was completed; the operations on the 6th floor of the Taichung operations center were expanded; the Kaohsiung Operations Center’s new building was completed.
2011	<ul style="list-style-type: none"> ● [Grape King Bio] Won the 9th Golden Torch Award – Top Ten Outstanding Enterprises. ● [Grape King Bio] Won the 14th Golden Summit Annual Outstanding Enterprise Award. ● [Grape King Bio] Won the 1st National Industrial Innovation Award – Outstanding SME Award. ● [Grape King Bio] Won the Taipei Biotechnology Award - Technology Commercialization. ● [Grape King Bio] Was subsidized by the Biotechnology Research and Development Result Industrialization Project, developed the liquid cultivation of hericium erinaceus essence, and developed age-delaying health food; completed the construction of the biological center’s 3rd fermentation plant,

	<p>which contains two 40T fermentation tanks and six 500L's, and the total capacity expanded to 275 tons.</p> <ul style="list-style-type: none"> ● [Pro-Partner] Proteck Stomaker won the Silver National Biotechnology and Medical Quality Award. The founder and Chairman Sheng-Lin Tseng was invited to the Presidential Palace to accept President Ying-Jeou Ma's praise.
2012	<ul style="list-style-type: none"> ● [Grape King Bio] The combined revenue was NT\$4.62 billion, and the five-year average growth rate was more than 20%. ● [Grape King Bio] Won the 19th SME Innovation Research Award. ● [Grape King Bio] Won the 9th National Innovation Award. ● [Grape King Bio] Won the 2012 Taoyuan County Excellent Enterprise Award. ● [Pro-Partner] The revenue reached NT\$4.2 billion, becoming the fourth in Taiwan, the first among local direct sales merchants, and no. 83 among the world's top 100 direct sales merchants. ● [Pro-Partner] Pro-Partner was awarded the "Golden Torch Award – Top Ten Outstanding Enterprises" by the Ministry of Economic Affairs.
2013	<ul style="list-style-type: none"> ● [Grape King Bio] Replaced the Company's logo. Added six one-ton fermentation tanks and freeze-drying equipment. ● [Grape King Bio] Was granted a promotion subsidy of the Biotechnology Research and Development Result Industrialization Project of the Industrial Development Bureau, Ministry of Economic Affairs. ● [Grape King Bio] Was awarded the first prize by the Institute for Biotechnology and Medicine Industry on eight operating indicators. ● [Grape King Bio] Won the "Most Popular Brand Award" and "National First Award" of the 10th National Brand Yushan Award. ● [Grape King Bio] Was ranked No. 36 in the "Top 100 Enterprises the New Generation Wants to Work for in 2013" and No. 2 in the "Science Category" of Cheers Special Issue No. 117. ● [Grape King Bio] Was a finalist in the 2nd Prestigious Enterprise Award. ● [Pro-Partner] Increased the number of service offices in Taipei, and established a new Taipei Operations Center which is the seventh operations center of Pro-Partner. ● [Pro-Partner] Spent NT\$3 billion to purchase the new building in Neihu to create a new operating headquarters. ● [Pro-Partner] The annual revenue was NT\$5 billion with a record 28% annual growth rate. The Company ranked the third in Taiwan's direct sales industry and the first among local direct sales merchants.
2014	<ul style="list-style-type: none"> ● [Grape King Bio] The consolidated revenue was NT\$6.282 billion. ● [Pro-Partner] The revenue reached NT\$5.827 billion, and the company became the second in Taiwan's direct sales industry and the first among local direct sales merchants for four consecutive years. ● [Grape King Bio] Obtained PIC/S GMP (Good Manufacturing Practices for Western Medicine) certification. ● [Grape King Bio] Obtained ISO 22000 certification (food safety and health management system certification). ● [Grape King Bio] The construction ceremony of the new plant in Pingzhen was held in May.

	<ul style="list-style-type: none"> ● [Grape King Bio] Signed a letter of intent with the Chinese mainland pharmaceutical manufacturer Yunnan Baiyao Group in July. ● [Grape King Bio] The Science Industrial Park’s Review Committee decided in August that the Company falls into the "science industry" category in the "Regulations for Science Industrial Park’s Establishment and Management", and was allowed to set up “Grape King Bio Ltd. Longtan Park Branch” in the Park. ● [Grape King Bio] Won the third prize in the Pharmaceutical and Biotechnology Category of 2014 Top 2000 Enterprise Survey of CommonWealth Magazine Issue No. 547. ● [Grape King Bio] Won Forbes 2014 Asia’s 200 Best Listed SMEs (Best Under A Billion). ● [Grape King Bio] Won the 2014 Top 20 Innovative Taiwan Companies Award. ● [Grape King Bio] Won the 2014 Outstanding Marketing Contribution Award - Annual Outstanding Advertiser's Partnership Award. ● [Grape King Bio - mushroom and fungus health food development] Won the 11th National Innovation Award. ● [Grape King Bio] The Antrodia King series of products won the Top 10 Outstanding Products Award of the 16th Golden Summit Award.
2015	<ul style="list-style-type: none"> ● [Grape King Bio] The consolidated revenue was NT\$7.274 billion. ● [Pro-Partner] The revenue was NT\$6.708 billion, and the Company was still the second in Taiwan’s direct sales industry and the first among local direct sales merchants for five consecutive years. ● [Grape King Bio] Introduced a number of new products such as Tian Qi Ling Zhi Essential Drink, PowerBOMB Energy Drinks, Ganoderma for Kids, Marigold Lutein Complex and so on. ● [Grape King Bio] Was awarded ISO17025 certification by TAF. ● [Grape King Bio] Again won the third prize in the Pharmaceutical and Biotechnology Category of 2015 Top 2000 Enterprise Survey of CommonWealth Magazine Issue No. 572. ● [Grape King Bio] Won the Excellence Award of 2015 Manager Monthly’s Influential Brand in the Health Food category. ● [Grape King Bio] The Antrodia King series of products won the Top 10 Outstanding Enterprises - Excellent Products Award of the 12h Golden Torch Award. ● [Grape King Bio] The technical patent for "The Active-Substance of Alkali-Extracted Polysaccharide Polypeptide From Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a gold medal in the Biotechnology, Health & Fitness category of the 26th ITEX International Invention Exhibition in Malaysia in 2015. ● [Grape King Bio] The technical patent for "The Active-Substance of Alkali-Extracted Polysaccharide Polypeptide from Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a gold medal in the Alternative Medicine/Therapeutic category of the 30th IPEX International Invention Exhibition in Pittsburgh, USA in 2015. ● [Grape King Bio] Again won Forbes 2015 Asia’s 200 Best Listed SMEs (Best Under A Billion).

	<ul style="list-style-type: none"> ● [Grape King Bio] The technical patent for "The Active-Substance of Alkali-Extracted Polysaccharide Polypeptide From Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a gold medal in the 2015 Taipei International Invention and Technology Trade Show. ● [Grape King Bio] The technical patent for "The Active Substance of Cicada, Its Preparation Method, Pharmaceutical Compounds and Use" won a bronze medal in the 2015 Taipei International Invention and Technology Trade Show.
2016	<ul style="list-style-type: none"> ● [Grape King Bio] The consolidated revenue was NT\$9.185 billion. ● [Pro-Partner] The revenue reached NT\$8.17 billion, ranking number two in Taiwan's direct sale business and was number one among the local direct sale merchants for many years. ● [Grape King Bio] The Pingzhen plan was opened in September. ● [Grape King Bio] Launched new products Snow Brightening Essential Drink, Tian Qi Maca Essential Drink, Ling Zhi Antiallergy, Pueraria Mirifica Queen and Sliim Turmeric Complex ● [Grape King Bio] Was ranked No. 32 in the "Top 100 Enterprises the New Generation Wants to Work for in 2016" and No. 1 in the "Medical Biotechnology" of Cheers Special Issue No. 184. ● [Grape King Bio] "Tripling the Proliferation of Normal Liver Cells with Alkali-Extracted Polysaccharide" won a gold medal in the 44th Geneva International Invention Exhibition and the United Arab Emirates' Special Award. ● [Grape King Bio] The Hericium mycelium special process patent won a silver medal in the 44th Geneva International Invention Exhibition. ● [Grape King Bio] "Antrodan (Peptidoglycan), An Active Substance From Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a bronze medal in the 2016 Paris International Invention Exhibition. ● [Grape King Bio] "The Active Substance of Cicada, Its Preparation Method, Pharmaceutical Compounds and Use" won a bronze medal in the 2016 Paris International Invention Exhibition. ● [Grape King Bio] "Fermentation Process of Hericium Erinaceus Mycelium for Rich Hericium Auratus A" won a bronze medal in the 2016 Paris International Invention Exhibition. ● [Grape King Bio] For the third consecutive year won the third prize in the Pharmaceutical and Biotechnology Category of the 2016 Top 2000 Enterprise Survey of CommonWealth Magazine Issue No. 597. ● [Grape King Bio] Won the 2016 Superbrands award. ● [Grape King Bio] Was the only Taiwanese company that won the award of BioSpectrum Magazine's "Asia's Top 50 Fast Growing Biotechnology Companies". ● [Grape King Bio] The Ganoderma King won the Excellence Award of the "2016 Health Brand Award" jointly organized by YAHOO! and "Goodmorning Health". ● [Grape King Bio] The Probiotic series of products won the Outstanding Award of the "2016 Health Brand Award" jointly organized by YAHOO! and "Goodmorning Health". ● [Grape King Bio] Pro-Partner Neuro-trition developed by the Company's R&D Team won the only World Food Industry's Special Award – Consumer Science

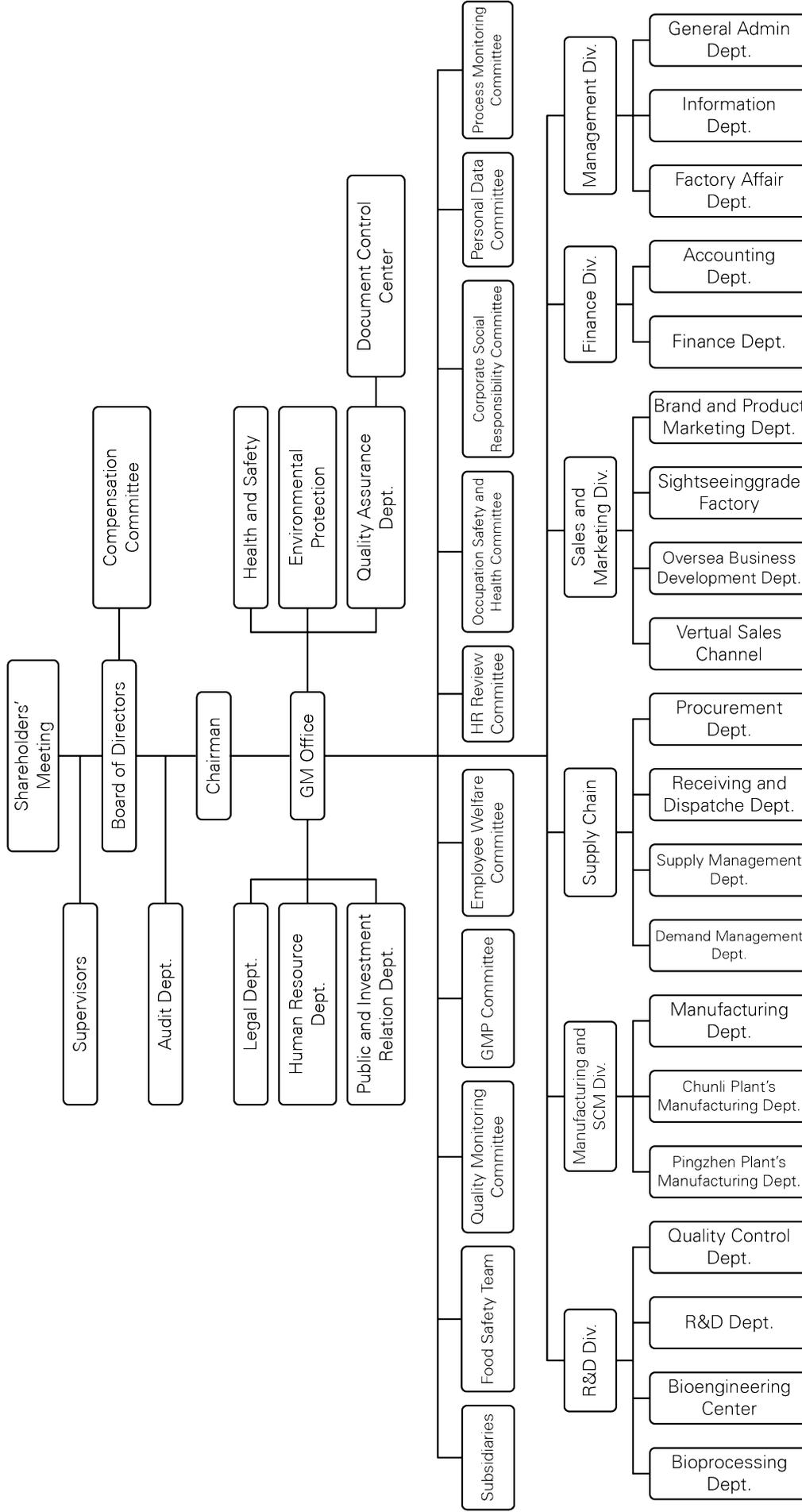
	<p>Education Award in the "2016 IUFOST World Food Technology Conference".</p> <ul style="list-style-type: none"> ● [Grape King Bio] "A Method for Preventing the Rapid Degradation of Hericium Auratus A in the Fermentation Process of Hericium Erinaceus" won a gold medal in the 2016 Taipei International Invention Show & Technomart. ● [Grape King Bio] "A Method for Preparing Fermentation Liquid Containing Anti-UVA Active Lilac Mushroom Mycelium" won a silver medal in the 2016 Taipei International Invention Show & Technomart. ● [Grape King Bio] Was the only enterprise commended by the Taoyuan City Government for education promotion. ● [Grape King Bio] In response to its joining of the Taiwan Vaccine Promotion Association's "Influenza Prevention Alliance", the Company created a healthy workplace and won the "Epidemic Fighting Award". ● [Grape King Bio] "The Antrodia Camphorata Active Substance and Its Compounds to Reduce Drug Resistance of Cancer Cells" won a gold medal in the 2016 IIIC International Innovative Invention Competition. ● [Grape King Bio] "The Active Substance of Cicada, Its Preparation Method, Pharmaceutical Compounds and Use (on Xerophthalmia)" won a gold medal in the 2016 IIIC International Innovative Invention Competition. ● [Grape King Bio] "The Active Substance of Hericium and Hericium Erinaceus Mycelium to Alleviate Pains, Its Preparation Method and Pharmaceutical Compounds" won a silver medal in the 2016 IIIC International Innovative Invention Competition. ● [Grape King Bio] Pro-Partner Neuro-trition developed by the Company's R&D Team won a gold medal in the Innovative Processing Technology category of the Taiwan Food Science and Technology Institute's Innovative Product Evaluation Award. ● [Grape King Bio] "The Active Substance of Cicada to Prevent Xerophthalmia, Its Preparation Method, Pharmaceutical Compounds and Use" won a gold medal in the 12th Seoul Invention Exhibition in 2016. ● [Grape King Bio] "Antrodia Camphorata Mycelium Extract and Its Medicine or Food to Reduce Drug Resistance of Cancer Cells" won a silver medal in the 12th Seoul Invention Exhibition in 2016. ● [Grape King Bio] "The Active Substance of Hericium and Hericium Erinaceus Mycelium to Alleviate Pains, Its Preparation Method and Pharmaceutical Compounds" won a bronze medal and special award in the 12th Seoul Invention Exhibition in 2016.
2017	<ul style="list-style-type: none"> ● [Grape King Bio] The consolidated revenue was NT\$9.388 billion. ● [Pro-Partner] The revenue reached NT\$8.05 billion, ranking number two in Taiwan's direct sale business and was number one among the local direct sale merchants for many years. ● [Grape King Bio] opened its "Grape King Health and Vitality Power Center" in July. ● [Grape King Bio] launched a new product "Gold Combest Energy Drink", the country's first health-marked energy drink. ● [Grape King Bio] Ranked No.3 in the "Biotechnology and Pharmaceutical Industry" category among 2000 companies listed by Common Wealth Magazine,

	<p>Issue No.622 for the fourth consecutive year. Its consolidated manufacturing industry ranking advanced from 371 to 307.</p> <ul style="list-style-type: none"> ● [Grape King Bio] has been certificated by Sports Administration, Ministry of Education for the Sports Enterprise. ● [Grape King Bio] The Ganoderma King products won the first prize in the Ganoderma/Mushroom and Ginseng Nutritional Supplement Category of the "2017 Yahoo! Health Brand Awards" jointly organized by YAHOO! and "Goodmorning Health". ● [Grape King Bio] The [Probiotic Series] won the Excellence Award in the Ganoderma/Mushroom and Ginseng Nutritional Supplement Category of the "2017 Yahoo! Health Brand Awards" jointly organized by YAHOO! and "Goodmorning Health". ● [Grape King Bio] [Marigold Lutein QQ for Kids] won the Innovative Product Concept Award from the Taiwan Association for Food Science and Technology. ● [Grape King Bio] Cordyceps patent "Cordyceps cicadae mycelia for the amelioration of dry eye" was awarded Gold medal and Special awards at the 2017 New Exhibition of Inventions in Geneva, Switzerland. ● [Grape King Bio] Hericium erinaceus patent "A novel compound, erinacine S, isolated from the mycelia of Hericium Erinaceus for pain treatment" was awarded Bronze Award at the 2017 New Exhibition of Inventions in Geneva, Switzerland. ● [Grape King Bio] Cordyceps patent "Cordyceps cicadae mycelia for the amelioration of dry eye" was awarded a Gold Medal at 2017 Shanghai International Invention Exhibition. ● [Grape King Bio] Hericium erinaceus patent "A novel compound, erinacine S, isolated from the mycelia of Hericium Erinaceus for pain treatment" was awarded a Silver medal award at 2017 Shanghai International Invention Exhibition. ● [Grape King Bio] "Cordyceps cicadae mycelium active substances, preparation method, pharmaceutical composition and application thereof" was awarded a Gold Medal and Special Award at INPEX 2017. ● [Grape King Bio] "Cultivation method for preventing rapid degradation of erinacine A during fermentation of Hericium erinaceus mycelium" was awarded a Silver Medal at INPEX 2017. ● [Grape King Bio] "Cordyceps cicadae mycelium active substances, preparation method, pharmaceutical composition, and application thereof" was awarded 1 silver medal at 2017 Taipei International Invention Show& Technomart. ● [Grape King Bio] "The heripene, the active substance of the mycelium of Hericium erinaceus for decreasing the pain, the producing method and the pharmaceutical composition thereof" was awarded 1 silver medal at 2017 Taipei International Invention Show& Technomart. ● [Grape King Bio] "Cultivation method for preventing rapid degradation of erinacine a during fermentation of Hericium Erinaceus mycelium " won a gold medal in the 2017 International Trade Fair "ideas, Inventions, New products" at Nuremberg (iENA2017). ● [Grape King Bio] "A pharamaceutical or food composition of Antrodia
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	<p>Cinnamomea extract reducing drug – resistance in cancer cells." was awarded a gold medal in the 2017 International Trade Fair “ideas, Inventions, New products” at Nuremberg (iENA2017).</p> <ul style="list-style-type: none"> ● [Grape King Bio] “Probiotic encapsulation technology significantly improves the survival of probiotic cells in intestinal tract” was awarded gold medal in the 2017 8th IIIC International Innovation and Invention Competition. ● [Grape King Bio] "Manipulation of Erinacine A which can ameliorate age by submerged fermentation of Herivine erinaceus mycelium” was awarded gold medal in the 2017 8th IIIC International Innovation and Invention Competition. ● [Grape King Bio] "Discovery of anti-UV composed in Lepista nuda mycelium-Ergothioneine" was awarded silver medal in the 2017 8th IIIC International Innovation and Invention Competition. ● [Grape King Bio] "Antrodia cinnamomea mycelium for improving nonalcoholic steatohepatitis (NASH)" was awarded gold prize and special award in the 2017 Seoul International Invention Fair Korea. ● [Grape King Bio] "Cordyceps cicadae mycelium for preventing, delaying and treating cataract” was awarded silver prize in the 2017 Seoul International Invention Fair Korea. ● [Grape King Bio] "Hericium erinaceus for preventing age-related hearing loss" was awarded bronze prize in the 2017 Seoul International Invention Fair Korea. ● [Grape King Bio] The Cicadae fermentation Mycelium won 14th National Innovation Award.
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1. Organization Structure (1) Chart of Organization Structure



(2) Responsibilities of Major Departments

Departments	Responsibilities
Compensation Committee	To help improve the Company's high-level manager evaluation and compensation management system.
Audit Department	To audit the various department's internal control system and timely provide suggestions for improvement.
General Manager's Room	To carry out and co-ordinate all departments' work distribution, coordination and utilization.
Process Monitoring Committee	To carry out project contracting, construction quality supervision and acceptance.
Personal Data Committee	To carry out corporate data maintenance and control and personal data protection and management.
Corporate Social Responsibility Committee	To formulate the corporate social responsibility policy and carry out social welfare related matters.
Occupation Safety and Health Committee	To study and set up labor safety and health related policies and regulations.
GMP Committee	To ensure that the product safety and health in the manufacturing process, including raw material handling, production, quality, warehousing, finished products and other operations, are in line with the government-required GMP and food safety management system specifications; to carry out quality management of the Company's planning, review, supervision and audit matters.
Quality Monitoring Committee	To carry out health management procedures, product planning, management, supervision and audit matters.
Food Safety Team	To carry out food safety operations control and maintenance, and reduce the risks in the supply chain.
Employee Welfare Committee	To act as a platform and bridge for labor and employer communication and promote the coordination between labor and employer.
HR Review Committee	To implement and improve the HR development policy and review all kinds of personnel related disputes.
Quality Control Department	To carry out quality system-related operations with control measures such as supervision, assessment, validation, verification and identification to continuously improve product quality.
Work Safety Department	Responsible for the development, implementation and supervision of labor safety, environmental health and other related matters.
Human Resource Department	Responsible for the formulation of the human resource policy and goals and plans concerning election, training, appointment, retention and tests.
Legal Department	To manage, plan and establish the Company's legal affairs related business.
Environmental Protection Department	To formulate, implement and supervise environmental hygiene and other related matters.
Public and Investment Relation Department	Responsible for corporate relationship management and public relations related matters.



Departments	Responsibilities
Management Division	To take care of corporate administrative affairs, information, plant projects and other matters.
Finance Division	To manage, plan and formulate the Company's financial and accounting related matters.
Sales and Marketing Division	To collect domestic and foreign marketing resources, contact and track domestic and foreign OEM businesses, carry out the Company's product sales development and lead and integrate marketing strategies to develop brand value and innovation.
Supply Chain	Responsible for the integration and implementation of demand planning, supply planning, procurement, raw material storage, finished product logistics and other related operations.
Manufacturing and SCM Division	To carry out manufacturing, processing, packaging and other related matters.
R&D Division	To carry out new product research and development and old product improvement, product quality control, raw material testing, product quality management, quality identification and other matters.

2. Directors, Supervisors and Managers team (1) Directors and Supervisors

Title (Note 1)	Nationality	Name	Gender	Date Elected	Term (years)	Date First elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 3)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Andrew Tseng	Male	June 26, 2015	3	June 19, 2009	5,112,244	3.93	5,761,244	4.25	-	-	-	-	PhD	Note 4	Director	Chang-Yeh Tseng	Mother and son
Director	Republic of China	Chang-Yeh Tseng	Female	June 26, 2015	3	June 26, 2015	2,155,823	1.66	4,488,114	3.31	-	-	-	-	Junior high school	Note 4	Chairman	Andrew Tseng	Sister and brother
Director	Republic of China	Mei-ching Tseng	Female	June 26, 2015	3	June 26, 2015	4,349,117	3.34	4,505,117	3.32	-	-	11,000	0.01	Master's Degree	Note 4	Chairman	Andrew Tseng	Sister and brother
Director	Republic of China	Cheng-An Lai	Male	June 26, 2015	3	June 14, 2006	2,174,775	1.67	1,466,775	1.08	-	-	-	-	College	Note 4	Nil	Nil	Nil
Director	Republic of China	Zhijia Chang	Male	June 26, 2015	3	June 19, 2009	2,548,386	1.96	1,538,386	1.14	1,794,000	1.32	-	-	College	Note 4	Supervisor	Chih Sheng Chang	Brothers
Director	Republic of China	Yan-Yi Huang	Male	June 26, 2015	3	June 19, 2009	2,028,542	1.56	1,953,542	1.44	-	-	-	-	Master's Degree	Note 4	Nil	Nil	Nil
Director	Republic of China	Ding Fu Investment Co., Ltd. Representative Sheng-Bin Tseng		June 26, 2015	3	June 26, 2015	1,228,000	0.94	1,293,000	0.96	-	-	-	-	-	Nil	Nil	Nil	Nil
Independent Director	Republic of China	Fengyi Lin	Male	June 26, 2015	3	June 26, 2015	-	-	-	-	-	-	-	-	College	Note 4	Nil	Nil	Nil
Independent Director	Republic of China	Ching-Fu Chen	Male	June 26, 2015	3	June 26, 2015	-	-	-	-	-	-	-	-	College	Note 4	Nil	Nil	Nil
Supervisor	Republic of China	Chih Sheng Chang	Male	June 26, 2015	3	June 16, 1997	2,108,957	1.62	2,093,957	1.54	992,530	0.73	-	-	College	Note 4	Director	Zhijia Chang	Brothers
Supervisor	Republic of China	Mei-Li Chen	Female	June 26, 2015	3	June 26, 2015	1,465,383	1.13	1,465,383	1.08	-	-	-	-	High school	Nil	Nil	Nil	Nil

Note 1: If a corporate shareholder, please list its name and the representative's name (if the representative of a corporate shareholder, please indicate the name of the corporate shareholder) and fill in Table 1 below.

Note 2: Please fill in the time of assuming the Company's director or supervisor position for the first time. If there is any interruption, please indicate.

Note 3: Experience related to the current position. If the person has worked for the Company's CPA firm or affiliates in the aforementioned period, please describe the titles and responsibilities.

Note 4: List of Directors and Supervisors with positions at the Company and other companies.





Name	Positions at the Company and other companies
Andrew Tseng	The Company's General Manager; Pro-Partner Co., Ltd. Director; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Chairman; Shanghai Grape King Enterprise Corp. Director; Rivershine Ltd. Chairman °
Chang-Yeh Tseng	Pro-Partner Co., Ltd. Chairman; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Director; Shanghai Grape King Enterprise Corp. Chairman; Rivershine Ltd. Supervisor; Shanghai Yi Zhao Trading Co., Ltd. Executive Director,
Mei-ching Tseng	Pro-Partner Co., Ltd. Director; Pro-Partner Co., Ltd. General Manager, Rivershine Ltd. Director, Shanghai Yi Zhao Trading Co., Ltd. Supervisor, Yunshin Investment Ltd. Director.
Cheng-An Lai	Shanghai Grape King Enterprise Corp. Supervisor. Bisheng Co., Ltd. Director.
Zhijia Chang	Rivershine Ltd. Director
Yan-Yi Huang	Jinghua Industrial Co., Ltd. Chairman; Chingbiao Biotech Co., Ltd, Supervisor; Chingbiao Investment Co., Ltd. Chairman,
Sheng-Bin Tseng	Pro-Partner Co., Ltd. Director, BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Director, Shanghai Grape King Enterprise Corp. Director
Fengyi Lin	B'In Live Co., Ltd. Independent Director.
Chih Sheng Chang	YUSONG INTERNATIONAL INC. Director

Table 1: Major shareholders of the institutional shareholders

Name of Institutional Shareholder	Major shareholder	March 31 ,2018
Ding Fu Investment Co., Ltd.	Sheng-Bin Tseng (20%), Ding-Fu Tseng (20%), Jin-Hua Chen (20%), Si-Wen Tseng (20%), Ying-Chen Tseng (20%)	

Note 1 : If the Director or Supervisor is the representative of a corporate shareholder, please fill in the name of the corporate shareholder.

Note 2 : Please fill in the name of the major shareholder of the corporate shareholder (top 10 in shareholding) and the shareholding ratio. If the major shareholder is a corporate shareholder, please also fill in Table 2.

Table 2: Major shareholders of the major shareholders in Table 1 who are Institutional shareholders

Name of Institutional Shareholder	Major shareholder	March 31 ,2018
NA	NA	

Note 1: If the major shareholder in Table 1 is a corporate shareholder, please fill in its name.

Note 2: Please fill in the name of the corporate shareholder's major shareholder (top 10 in shareholding) and the shareholding ratio.

Professional Qualifications and Independence analysis of the Directors and Supervisors

March 31, 2018

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)									Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9		10
Name														
Andrew Tseng			v					v				v		0
Chang-Yeh Tseng			v					v				v		0
Mei-ching Tseng			v					v				v		0
Cheng-An Lai			v	v			v	v			v	v		0
Zhijia Chang			v					v				v		0
Yan-Yi Huang			v	v			v	v			v	v		0
Ding Fu Investment Co., Ltd.														
Representative Sheng-Bin Tseng			v		v		v	v			v	v		0
Fengyi Lin			v	v			v	v			v	v		1
Ching-Fu Chen	v			v			v	v			v	v		0
Chih Sheng Chang			v	v				v			v	v		0
Mei-Li Chen			v	v			v	v			v	v		0



Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) Management Team

March 31, 2018 Unit: Share ; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman and General Manager	Republic of China	Andrew Tseng	Male	2014.11.07	5,761,244	4.25	-	-	-	-	PhD, Business Management, University of Strathclyde (UK)	Note	Nil	Nil	Nil
Deputy GM, R&D Division	Republic of China	Jin-Chu Chen	Male	2014.01.01	1,388	0.001	-	-	-	-	PhD, Life Science School, Tsing Hua University	Nil	Nil	Nil	Nil
Deputy GM, Business Division	Republic of China	Yuan-Tsung, Lin	Male	2017.07.01	2,000	0.001	-	-	-	-	EMBA, National Chung Hsing University	Note	Nil	Nil	Nil
CFO	Republic of China	Nick Hung	Male	2014.01.01	-	-	-	-	-	-	Bachelor, Chung Hsing University	Nil	Nil	Nil	Nil
CLO	Republic of China	Chih-Lin Hung	Male	2017.07.03	-	-	-	-	-	-	Master, College of Law, National Chengchi University	Nil	Nil	Nil	Nil

Note: List of Management Team with positions at the Company and other companies.

Positions at the Company and other companies	
Name	
Andrew Tseng	The Company's General Manager, Pro-Partner Co., Ltd. Director, BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Chairman, Shanghai Grape King Enterprise Corp. Director, Rivershine Ltd. Chairman.
Yuan-Tsung, Lin	Shanghai Grape King Enterprise Corp. General Manager, Shanghai Yi Zhao Trading Co., Ltd. General Manager



(3) Remunerations of the Directors, Supervisors, President, and Vice President Remunerations of the Directors (including Independent Directors)

Unit: NT\$ thousand ; %

Title	Name	Director remuneration						Remuneration from other jobs				The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (Note 10)		Remuneration included in other than subsidiaries (Note 11)					
		Remuneration (A) (Note 2)		Retirement pension (B)		Director remuneration (C) (Note 3)		Business execution expenses (D) (Note 4)		The sum of A, B, C and D as a percentage of after-tax net profit (Note 10)		Remuneration, bonus and special fees (E) (Note 5)			Retirement pension (F)		Employee remuneration (G) (Note 6)		
		The Company	All companies in consolidated financial statements (Note 7)	The Company	All companies in consolidated financial statements (Note 7)	The Company	All companies in consolidated financial statements (Note 7)	The Company	All companies in consolidated financial statements (Note 7)	The Company	All companies in consolidated financial statements (Note 7)	The Company	All companies in consolidated financial statements (Note 7)		Cash	Stock	The Company	All companies in consolidated financial statements (Note 7)	
Chairman	Andrew Tseng																		
Director	Chang-Yeh Tseng																		
Director	Mei-ching Tseng																		
Director	Yan-Yi Huang																		
Director	Zhijia Chang																		
Director	Cheng-An Lai	-		-		25,813	1,830	1,830	2.04	2.04	11,937	18,027	-	-	9,000	20,547	3.59	4.90	
Director	Ding Fu Investment Co., Ltd. Representative Sheng-Bin Tseng																		
Independent Director	Fengyi Lin																		
Independent Director	Ching-Fu, Chien																		

Except for the disclosure in the table above, the remuneration received by the directors of the company for services to all companies in the financial report in the most recent year (such as non-employee consultants): None.

Range of Remuneration

Range of Remuneration	Director name		
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)
	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) I	The Company (Note 8) Companies in the consolidated financial statements (Note 9) J
Lower than 2,000,000	Chang-Yeh Tseng, Mei-ching Tseng, Yan-Yi Huang, Zhijia Chang, Cheng-An Lai, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng, Fengyi Lin, Ching-Fu Chen	Chang-Yeh Tseng, Mei-ching Tseng, Yan-Yi Huang, Zhijia Chang, Cheng-An Lai, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng, Fengyi Lin, Ching-Fu Chen	Chang-Yeh Tseng, Mei-ching Tseng, Yan-Yi Huang, Zhijia Chang, Cheng-An Lai, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng, Fengyi Lin, Ching-Fu Chen
2,000,000 (inclusive) - 5,000,000 (exclusive)	-	-	-
5,000,000 (inclusive) - 10,000,000 (exclusive)	-	-	-
10,000,000 (inclusive) - 15,000,000 (exclusive)	-	-	-
15,000,000 (inclusive) - 30,000,000 (exclusive)	Andrew Tseng	Andrew Tseng	Chang-Yeh Tseng, Mei-ching Tseng
30,000,000 (inclusive) - 50,000,000 (exclusive)	-	-	Andrew Tseng
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-	-
100,000,000 or more	-	-	-
Total	9 people	9 people	9 people

Note 1: The Directors' names should be listed separately (if a corporate shareholder, the corporate name and the representative's name should be listed separately), and the payments should be consolidated for disclosure.

Note 2: The Director's remuneration for the most recent year (including salary, job allowances, severance payment, various bonuses and incentives).

Note 3: The latest amount of Director's remuneration as passed by the board of directors.

Note 4: The latest annual business execution expenses of the Director (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration.

Note 5: The latest salary, job allowances, severance payment, various bonuses, incentives, car expenses, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions for the Director's other jobs (including the positions of General Manager, Deputy General Manager, Manager and other positions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

Note 6: If a Director receives employee remuneration (including stock and cash) on his/her other job(s) (including the positions of General Manager, Deputy Manager, Manager and other positions) in the latest year, please disclose the amount of employee remuneration as passed by the board of directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year, and Appendix 1-3 should be filled out.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's Director.

Note 8: The total remuneration paid by the Company to each Director; the Director's name should be disclosed in the respective tier.

Note 9: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's Directors should be disclosed, and the Director's name s should be disclosed in the respective tier.

Note 10: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.



Note 11: a. In this field the amount of remuneration paid to the Director by the Company's re-invested businesses other than the subsidiaries should be clearly indicated.

b. If the Director receives remuneration from the Company's re-invested businesses other than the subsidiaries, such remuneration should be incorporated into column 1 of the Remuneration Tiers Table, and the name of the field should be changed to "All re-invested businesses".

c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's Director for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

Remunerations of the Supervisors

Unit: NT\$ thousand ; %

Title	Name	Remuneration				Ratio of Total Remuneration (A+B+C) to Net Income (Note 8)		Remuneration from reinvested businesses other than subsidiaries (Note 9)		
		Remuneration (A) (Note 2)		Bonus to Supervisors (B) (Note 3)		Business execution expenses (C) (Note 4)				
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)			
Supervisor	Chih Sheng Chang	-	-	6,055	6,055	420	420	0.48	0.48	Nil
Supervisor	Mei-Li Chen	-	-	-	-	-	-	-	-	-

Range of Remuneration

Range of Remuneration	Name of Supervisor	
	The Company (Note 6)	Companies in the consolidated financial statements (Note 7) D
Lower than 2,000,000	-	-
2,000,000 (inclusive) - 5,000,000 (exclusive)	Chih Sheng Chang, Mei-Li Chen	Chih Sheng Chang, Mei-Li Chen
5,000,000 (inclusive) - 10,000,000 (exclusive)	-	-
10,000,000 (inclusive) - 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) - 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) - 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-
100,000,000 or more	-	-
Total	2 people	2 people

Note 1: The Supervisors' names should be listed separately (if a corporate shareholder, the corporate name and the representative's name should be listed separately), and the payments should be consolidated for disclosure.

Note 2: The Supervisor's remuneration for the most recent year (including salary, job allowances, severance payment, various bonuses and incentives).

Note 3: The latest amount of Supervisor's remuneration as passed by the board of directors.

Note 4: The latest annual business execution expenses of the Supervisor (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration.

Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's Supervisor.

Note 6: The total remuneration paid by the Company to each Supervisor; the Supervisor's name should be disclosed in the respective tier.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's Supervisors should be disclosed, and the Supervisor's name should be disclosed in the respective tier.

Note 8: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 9: a. In this field the amount of remuneration paid to the Supervisor by the Company's re-invested businesses other than the subsidiaries should be clearly indicated.

b. If the Supervisor receives remuneration from the Company's re-invested businesses other than the subsidiaries, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "All re-invested businesses".

c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's Supervisor for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

Remunerations of the management team

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonus and special fees (C) (Note 3)		Employee remuneration (D) (Note 4)			The sum of A, B, C and D as a percentage of after-tax net profit (%) (Note 8)		Remuneration from reinvested businesses other than subsidiaries (Note 9)	
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	Cash	Stock	The Company		Companies in the consolidated financial statements (Note 5)
General Manager	Andrew Tseng													
Deputy GM, R&D Division	Jin-Chu Chen	5,808	6,185	-	-	3,218	3,218	18,341	-	18,341	-	2.02	2.02	Nil
Deputy GM, Business Division	Yuan-Tsung Lin													
CFO	Nick Hung													

* Regardless of the title, if the position is equal to general manager or deputy general manager (for example, president, CEO, director, etc.), then a disclosure should be made.





Range of Remuneration

Range of Remuneration (NT\$)	Name of President and Vice President	
	The Company (Note 6)	Companies in the consolidated financial statements (Note 7) E
Lower than 2,000,000	-	-
2,000,000 (inclusive) - 5,000,000 (exclusive)	Yuan-Tsung Lin	Yuan-Tsung Lin
5,000,000 (inclusive) - 10,000,000 (exclusive)	Jin-Chu Chen, Nick Hung	Jin-Chu Chen, Nick Hung
10,000,000 (inclusive) - 5,000,000 (exclusive)	-	-
15,000,000 (inclusive) - 30,000,000 (exclusive)	Andrew Tseng	Andrew Tseng
30,000,000 (inclusive) - 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-
100,000,000 or more	-	-
Total	4 people	4 people

Note 1: The General Manager's and the Deputy General Managers' names should be listed separately, and the payments should be consolidated for disclosure.

Note 2: The latest amount of the General Manager's and the Deputy General Managers' remunerations (including salary, job allowances and severance payment).

Note 3: The latest annual business execution expenses of the General Manager and the Deputy General Managers (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall also include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.

Note 4: The employee remuneration (including stock and cash) distributed to the General Manager or Deputy General Manager as passed by the board of directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year, and Appendix 1-3 should be filled out. Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's General Manager and Deputy General Managers.

Note 6: The total remuneration paid by the Company to each General Manager and Deputy General Manager; the General Manager's and the Deputy General Managers' names are to be disclosed in the respective tiers.

Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's General Manager and Deputy General Managers should be disclosed, and the General Manager's and the Deputy General Managers' names should be disclosed in the respective tier.

Note 8: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 9: a. In this field the amount of remuneration paid to the General Manager or the Deputy General Managers by the Company's re-invested businesses other than the subsidiaries should be clearly indicated.

b. If the General Manager and Deputy General Managers receive remuneration from the Company's re-invested businesses other than the subsidiaries, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "All re-invested businesses".

c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's General Manager or Deputy General Manager for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries.

* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation

Managers with Employee Remuneration Distribution

Unit: NT\$ thousand ; %

	Title (Note 1)	Name (Note 1)	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
Management team	Chairman and General Manager	Andrew Tseng	-	33,553	33,553	2.48
	Deputy General Manager	Jin-Chu Chen				
	Deputy General Manager	Yuan-Tsung, Lin				
	CFO	Nick Hung				
	CLO	Chih-Lin Hung				
	Division Director	Du-Sheng Wang				
	Director	Ryan Chou				
	Director	Chia-lun Lin				
	Director	Yi-Ru Hu				
	Director	Sheng-Chieh Hsu				
	Director	Duncan Aitken				
	Director	Yen-Lien Chen				
Manager	Yi Chun Lee					

Note 1: The names and titles should be listed separately, and the remuneration distribution may be consolidated for disclosure.

Note 2: The latest amount of the manager's employee remuneration as passed by the board of directors (including shares and cash) in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year. Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.

Note 3: The definition of manager, as governed by the letter of the SFC on March 27, 2003 with a reference no. of Tai-Tsai-Cheng III 0920001301, is as follows:

- (1) General manager and equivalent.
- (2) Deputy general manager and equivalent.
- (3) Associate and equivalent.
- (4) Head of financial department.
- (5) Head of accounting department
- (6) Other people who have the right to manage the company's affairs and are the company's authorized signatories.

(4) Comparison and explanation

- i. Analysis of the ratio of total remuneration (paid to the Directors, Supervisors, General Manager and Deputy General Managers of the Company by the Company and all the companies in the consolidated statements in the last two years) to net profit after tax:

Unit: %

Title	Ratio of Total Remuneration to Net Profit after Tax in 2017		Ratio of Total Remuneration to Net Profit after Tax in 2016	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Director	2.04	2.04	2.04	2.04
Supervisor	0.48	0.48	0.49	0.49
General Manager and Deputy General Managers	2.02	2.02	1.88	1.88

- ii. The correlation among the remuneration payment policy, standards and combinations, the procedures for setting the remuneration and the business performance:

The remuneration paid by the Company to its Directors, Supervisors, General Manager and Deputy General Managers in the last two years is in accordance with the Company Law, the Articles of Association of the Company and the relevant regulations. In addition to the Company's overall performance, the individual's performance target achievement rate and contribution to the performance of the Company are taken into account for a reasonable reward, and the change in the amount of payment and its ratio is not significant.

3. Implementation of Corporate Governance

(1) Operation of the board meeting

Seven board meetings were held in 2017, and the attendance of Directors (including Independent Directors) is as follows:

Title	Name (Note 1)	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	Andrew Tseng	7	0	100	
Director	Chang-Yeh Tseng	5	1	71	
Director	Mei-ching Tseng	7	0	100	
Director	Yan-Yi Huang	0	0	0	
Director	Cheng-An Lai	2	3	29	
Director	Chih-Chia Chang	6	1	86	
Director	Ding Fu Investment Co., Ltd. Representative Sheng-Bin Tseng	7	0	100	
Independent Director	Fengyi Lin	6	1	86	Note3
Independent Director	Ching-Fu Chen	6	1	86	Note3

Other matters to be recorded:

- If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the opinions of all independent directors and the Company's handling of the opinions of the Independent Directors:
 - Matters listed in Article 14-3 of the Securities Exchange Act.
 - Other than the aforementioned matters, the board resolutions which Independent Directors object to or have reservations about, and there are records or written statements for them.
 The Company did not encounter any of the circumstances.
- For the situation where a Director avoids a motion related to his/her own interests, please specify the director's names, the contents of the motion, the reasons for the avoidance of interests and the voting results: The Company did not encounter this situation.
- The goals for strengthening the board's functions in the current and the previous year (e.g., establishment of an audit committee, promotion of information transparency, etc.) and assessment of the implementation:
 - The goals for strengthening the board's functions
 - The Company holds a remuneration meeting at least twice a year to regularly review the policy of Director and Supervisor remunerations, and check whether there is a significant difference with the remuneration structure of similar industry participants.
 - Implementing corporate governance and enhancing Information transparency: The operation of board meetings is pursuant to the Rules of Procedure of Board Meeting and the meetings are held in accordance with the requirements.
 - Further training of Supervisors: The Company provides Directors and Supervisors with training information on a monthly basis to facilitate their access to relevant information and maintain their core values, professional strengths and capabilities.
 - Assessment of implementation: The Company holds a consolidated business meeting of the parent company and the subsidiaries every six months and explains the contents of the consolidated report to the board of directors to enable it to better understand the actual operation of the Company. The Company upholds the principle of operation transparency and immediately posts important resolutions on MOPS after a board meeting to safeguard the shareholders' interests. Board resolutions and their status are timely disclosed on the Company's website (<http://www.grapeking.com.tw>) to enhance information transparency.

Note 1: If a director or supervisor is a legal entity, please disclose the name of the corporate shareholder and of its representative.

Note 2: (1) If there is a director or supervisor leaving the company before the end of the year, please indicate the date of departure in the note field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(2) If there is a director or supervisor election before the end of the year, please list both the new and the old directors and supervisors, and indicate in the Remarks column whether the director or supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

Note 3: Attendance status of independent directors in 2017 Board of Directors meetings (V: attendance in person; ⊙: delegated attendance; *: absence).

2017	1st (2017/01/03)	2nd (2017/01/19)	3rd (2017/03/21)	4th (2017/05/10)	5th (2017/06/13)	6th (2017/08/10)	7th (2017/11/08)
Fengyi Lin	⊙	v	v	v	v	v	v
Ching-Fu Chen	v	v	⊙	v	v	v	v

(2) Operation of the audit committee: The Company has not set up an audit committee.

(3) Supervisors' participation in the operation of Board of Directors meetings:

A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate (%) (B/A)	Remark
Supervisor	Chih-Sheng Chang	7	100	
Supervisor	Mei-Li Chen	7	100	

Other matters to be recorded:

1. Composition and responsibilities of Supervisors:

- (1) Communication between Supervisors and Company employees and shareholders (i.e., communication channels, methods, etc.):

On the Company's website, there is a "Shareholders' Column" page offering corporate action services of dedicated personnel, and a "Contact Us" page offering a dedicated mailbox. The Company also has an internal email address for opinions, and the Company inquires with the employees in an anonymous manner about their satisfaction with the Company's systems and the improvements to be made on a regular basis, so the employees can communicate with Supervisors at any time.

- (2) Communication between Supervisor and the Head of Internal Audit and the accountant (i.e., the items of communication concerning the Company's financial and business conditions, the methods and the results)

The Company has publicly provided the certifying accountant's contact details. The Head of Internal Audit is also present at each board meeting to enable the Supervisor to communicate with the Head of Internal Audit and the accountant at any time.

2. If Supervisors state their opinions in a board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the results of the board resolution and the Company's handling of the Supervisors' opinions: The Company did not encounter this situation.

Note:

* If there is any supervisor leaving the company before the end of the year, please indicate the date of departure in the note field. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

* If there is a supervisor election before the end of the year, please list both the new and the old supervisors, and indicate in the remark column whether the supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(4) Corporate Governance Status, Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons																																																																		
	YES	NO	Abstract Illustration																																																																			
1. Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?	V		The Company has its "Corporate Governance Best Practice Principles" which protect the interests of shareholders, strengthen the functions of the board of directors, fulfill the functions of the supervisors, respect the rights and interests of interested parties and enhance the transparency of information. Please refer to our website for the Corporate Governance Best Practice Principles.	No major difference																																																																		
2. The company's shareholding structure and shareholders' equity (1) Has the company set up internal operating procedures to handle shareholder proposals, doubts, disputes and litigation matters and followed the procedures? (2) Does the company have a list of its major shareholders and the ultimate controllers of the major shareholders? (3) Has the company established and implemented risk management and firewall mechanisms with its affiliates? (4) Has the company set up an internal standard to prohibit the insiders' use of private information to trade securities?	V		(1) The Company has a spokesman, acting spokesman, corporate action staff, legal staff, etc. to deal with shareholders' suggestions, disputes and other issues. (2) The Company constantly keeps track of the shareholdings of the Directors, Supervisors and majority shareholders holding more than 10% of the Company's shares, and declares major shareholders' shareholdings on a monthly basis. (3) The Company has established a monitoring method and internal control over its subsidiaries in accordance with the law and carries out risk control. (4) The Company has a "Code of Conduct" which prohibits the insiders' use of private information to trade securities, and at least once a year educates the insiders on the prohibition of the use of private information to trade securities.	No major difference																																																																		
3. The composition and duties of the board of directors (1) Has the board of directors formulated a diversified approach based on the composition of its members and implemented it? (2) Has the company set up other types of functional committees voluntarily in addition to the remuneration committee and the audit committee according to law? (3) Has the company set up a performance appraisal method and an assessment method for the board of directors, and conducted performance appraisal on a regular basis every year? (4) Does the company	V		The Company adopted the "Code of Practice for Corporate Governance" in the 4th meeting of the 18th term Board of Directors on November 10, 2015. A diversification policy was formulated in Article 20 of "The Board's Overall Competence Requirements". The members of the Board of Directors of the Company are diversified. Among the 9 current directors, 2 are female, accounting for 22.22% of all board members. In addition, the directors and independent directors also include PhDs in business management, university professors and people with extensive business experience in various industries for many years. The diversification of the directors is as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Diversified Core Projects</th> <th>Gender</th> <th>Business Management</th> <th>Leadership & Decision</th> <th>Industry Knowledge</th> <th>Financial Accounting</th> </tr> </thead> <tbody> <tr> <td>Director Name</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Andrew Tseng</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Chang-Yeh Tseng</td> <td>Female</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Mei-ching Tseng</td> <td>Female</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Cheng-An Lai</td> <td>Male</td> <td></td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Zhijia Chang</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Yan-Yi Huang</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Representative of Ding Fu Investment Co., Ltd.: Sheng-Bin Tseng</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Fengyi Lin</td> <td>Male</td> <td>V</td> <td></td> <td></td> <td>V</td> </tr> <tr> <td>Ching-Fu Chen</td> <td>Male</td> <td>V</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Diversified Core Projects	Gender	Business Management	Leadership & Decision	Industry Knowledge	Financial Accounting	Director Name						Andrew Tseng	Male	V	V	V		Chang-Yeh Tseng	Female	V	V	V		Mei-ching Tseng	Female	V	V	V		Cheng-An Lai	Male			V		Zhijia Chang	Male	V	V	V		Yan-Yi Huang	Male	V	V	V		Representative of Ding Fu Investment Co., Ltd.: Sheng-Bin Tseng	Male	V	V	V		Fengyi Lin	Male	V			V	Ching-Fu Chen	Male	V				The Company has not yet set up a performance appraisal method for the board of directors. In the future it will be set up based on the actual needs and according to the relevant laws and regulations
Diversified Core Projects	Gender	Business Management	Leadership & Decision	Industry Knowledge	Financial Accounting																																																																	
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Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	Abstract Illustration	
regularly evaluate the independence of its certifying accountants?			<p>The policy of the Board of Directors on the diversification of its members is disclosed on the Company's website and MOPS.</p> <p>In accordance with the requirements of its operations, the Company also set up the Engineering Supervision Committee, the Food Safety Team and the Corporate Social Responsibility Committee to carry out their duties on a regular basis.</p> <p>The performance appraisal method for the board of directors and its assessment method are still being developed</p> <p>The Company assesses the independence of its certifying accountants on a yearly basis. The latest results were submitted and passed in the board meeting on February 22, 2018. CPA Mars Hong and CPA Julia Lo of Ernst & Young both meet the Company's independence assessment criteria and are eligible as the Company's certifying accountants. The accounting firm also issued a letter of declaration.</p>	
4. Has the TWSE/TPEX listed company set up a dedicated (or concurrent) corporate governance unit or appointed personnel responsible for corporate governance related matters (including but not limited to providing the directors and supervisors with required information to carry out their business, handling corporate registration and change of corporate registration related matters and taking the minutes of board meetings and shareholders' meetings)?	V		<p>The Company's Finance Department is a concurrent unit of corporate governance. It is responsible for posting immediate information on MOPS or the Company's website for the shareholders, assisting in tracking the list of major shareholders holding a larger proportion of the shares of the Company, providing the Directors and Supervisors with required information to carry out their business, handling matters related to board meetings and shareholders' meetings, handling corporate registration and change of corporate registration related matters, taking the minutes of board meetings and shareholders' meetings, and regularly evaluating the independence and suitability of the accountants.</p>	No major difference
5. Has the company established a communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up an interested party page on the company's website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	V		<p>In addition to the "Contact Us" mailbox on the Company's website, a consumer service hotline and an internal "employee mailbox", we have set up on the Company's website an "interested party page" to provide shareholders and investors with a communication channel for product inquiry services and OEM services, as well as a report mailbox for suppliers and employees for communication of corporate social responsibility issues. Concerns of interested parties are responded to by the respective personnel of the Company.</p> <p>The Company discloses the relevant information on its website (http://www.grapeking.com.tw).</p>	No major difference
6. Does the company appoint a professional stock agency to handle shareholders' meeting related affairs?	V		<p>The Company appointed Capital Securities Corp. as the stock agency to handle shareholders' meeting related affairs</p>	No major difference
7. Information disclosure (1) Has the company set up a website to disclose financial and corporate governance information? (2) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the	V		<p>(1) The Company discloses the relevant information on its website (http://www.grapeking.com.tw).</p> <p>(2.1) The Company's English website is as follows: https://www.grapeking.com.tw/index.php/en-us</p> <p>(2.2) The Company has appointed a dedicated person to be responsible for the collection and disclosure of the Company's information, and has implemented the spokesman system in accordance with the</p>	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Abstract Illustration	
collection and disclosure of company information, implementing the spokesman system, and posting the company's corporate briefing process on the website, etc.)?			requirements. (2.3) If the Company participates in a corporate briefing session, it will disclose the information on "MOPS" and post the briefing presentation on the Company's website afterwards.	
8. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of interested parties, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		<p>(1) Employee rights and interests and employee care: The Company attaches great importance to the harmony of labor relations and the welfare and rights of employees. It continuously enhances the staff welfare system and the working environment and its quality, including employee meals, health checks, bonuses, travel ... and so on, so that employees can enjoy a sound welfare system and job security.</p> <p>(2) Investor relations: The Company continues to maintain good interaction with investors by disclosure of financial information, regular communication through various activities (e.g., corporate briefings, overseas roadshows and broker-organized investor conferences) to communicate and exchange with investors. Investor feedback is also provided to the Company's executives and related units for improvement and adjustment. In the future, the Company will continue to strengthen investor relations and maintain good communication and exchange with investors.</p> <p>(3) Supplier relationship: Food safety is the first priority of any procurement. Raw material suppliers must be in the Government's "Food Industry Registration System", and purchases are made with registered manufacturers only without having the price as the only consideration.</p> <p>(4) Rights and interests of interested parties: We provide a wide range of communication and information disclosure channels, maintain a good dialogue and communication with interested parties, collect information on the concerns of interested parties, and check whether we respond to the interested parties through the activities we perform. Please refer to the Corporate Social Responsibility Report of the Company for the concerns and our response.</p> <p>(5) Training for the directors and supervisors: This is carried out in accordance with TSE's "Key Points for the Promotion of Training for Directors and Supervisors of TWSE/GTSM Listed Companies". Please refer to the appendix "Directors' Training in 2017" (Note).</p> <p>(6) Implementation of risk management policies and risk measurement standards: The Company's major operation policies, investments, endorsements and guarantees, loans and bank financing are subject to the assessment of appropriate authorities and the approval of the board of directors. The Audit Department also draws up its annual audit plan in accordance with the risk assessment results to implement the monitoring mechanism and risk management.</p> <p>(7) Implementation of customer policy: To provide consumers with real-time product consulting services, the Company set up a customer service hotline and a customer service email address to communicate with customers and safeguard their interests.</p> <p>(8) Purchase of liability insurance for directors and</p>	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	YES	NO	Abstract Illustration	
			supervisors: The Company has purchased "Liability Insurance for Directors, Supervisors and Important Staff" for its Directors and Supervisors.	
9. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved (not applicable if not included as a company to be evaluated). In 2016 the Company did not score on 38 items in the corporate governance evaluation. In 2017 we will focus on improving the rights and interests of shareholders and equal treatment of shareholders, implementing corporate social responsibility and promoting information transparency. Improvements on 17 items are expected to be completed in the year. We will continue strengthening the effectiveness and enhancing the functions of the board of directors, hold a corporate governance evaluation to form the Company's corporate governance culture, build a comprehensive communication platform for interested parties to facilitate shareholders' action, and enhance the quality of non-financial information disclosure to strengthen our corporate governance information.				

Note: Directors' Training in 2017

Title	Name	Date	Organizer	Course	Hours
Chairman	Andrew Tseng	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.09.28	Taiwan Stock Exchange Corporation (TWSE)	2017 Mr. Yuan-Dong Hsu Memorial Financial Forum	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Director	Chang-Yeh Tseng	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Director	Mei-ching Tseng	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Director	Zhijia Chang	106.12.08	Taiwan Corporate Governance Association	Board of directors' focus on issues of strategy, competitiveness, risk and crisis.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Director's corporate representative	Sheng-Bin Tseng	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Independent Director	Fengyi Lin	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Independent Director	Ching-Fu Chen	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Supervisor	Chih Sheng Chang	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3
Supervisor	Mei-Li Chen	106.11.08	Taiwan Institute of Directors	Analysis for current tax risk management and response for corporate governance.	3
		106.08.10	Taiwan Corporate Governance Association	Legal risks for directors and supervisors of listed companies.	3

(5) If the company has a remuneration committee, please disclose its composition, duties and operation:

(i) Remuneration Committee Member Information

Identity (Note 1)	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								No. of other listed companies working as remuneration committee member r for	Remark	
		Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8			
Independent Director	Fengyi Lin			v	v	v	v	v	v	v	v	v	v	Nil	
Independent Director	Ching-Fu Chen	v			v	v	v	v	v	v	v	v	v	Nil	
Member	Shuo-Lun Chou	v		v	v	v	v	v	v	v	v	v	v	Nil	

Note 1: Please fill in director, independent director or others as the identity.

Note 2: If the member meets any of the following conditions during the two years before the position and during the term of office, please tick in the spaces below the conditions.

- (1) Is not an employee of the Company or its affiliate.
- (2) Is not a director or supervisor of the Company or its affiliates (except in the case of an independent director of the Company or its parent company or subsidiary set up under this Act or a local law).
- (3) Is not a top ten shareholder or a shareholder who holds more than one percent of the total issued shares of the Company by him/herself or through his/her spouse, minor children or other persons.
- (4) Is not a spouse or 2nd-degree relative or above or 3rd-degree linear relative of the persons listed in the preceding three paragraphs.
- (5) Is not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a director, supervisor or employee of a top-five corporate shareholder.
- (6) Is not a director, supervisor or manager of a particular company or organization that is related with the Company either financially or on business, or a shareholder with more than 5% of the shares of the Company.
- (7) Is not a professional or a business owner, partner, director, supervisor, manager or a spouse of any of the persons above of a sole proprietorship, partnership, corporation or institution which provides the Company or its affiliates with business, legal, financial, accounting, consulting or other services.
- (8) Does not have any of the circumstances in Article 30 of the Company Law.

(ii) Remuneration Committee Operation Status

1. The Company's Remuneration Committee is composed of three people.
2. Current member's tenure: From July 9, 2015 to July 8, 2018. In 2017 the Remuneration Committee held three meetings (A), and the member qualifications and attendance are as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Fengyi Lin	3	0	100	
Member	Ching-Fu Chen	2	1	67	
Member	Shuo-Lun Chou	3	0	100	

Other matters to be recorded:

1. If the board of directors did not adopt or amend the suggestion of the remuneration committee, please indicate the date and session number of the board meeting, the contents of the motion, the result of the resolution and the company's handling of the suggestion of the remuneration committee (if the remuneration passed by the board is better than the suggestion of the remuneration committee, please state the difference and the reasons): Nil.
2. If any member had objections or reservations about the resolution of the remuneration committee and there is a record or a written statement, please indicate the date and session number of the remuneration committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: Nil.

Notes:

- (1) If any remuneration committee member leaves the company before the end of the year, please state in the remarks column the departure date, the actual attendance rate (%) calculated based on the number of remuneration committee meetings and the number of actual meetings attended during the tenure.
- (2) If there is a remuneration committee member election before the end of the year, please list both the new and the old members, and indicate in the remark column whether the member is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of remuneration committee meetings held and the actual number of meetings attended during the tenure.

(6) Corporate Social Responsibility(CSR):

Evaluation Item	Implementation Status		Abstract Explanation	Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
1. Implementation of Corporate Governance (1) Has the company set up a corporate social responsibility policy or system and a review of the implementation effectiveness? (2) Does the company regularly conduct social responsibility education and training? (3) Has the company set up a dedicated (or concurrent) corporate social responsibility promotion unit which is authorized by the board of directors to be managed by the high-level management and reports to the board of directors? (4) Has the company formulated a reasonable remuneration policy and combined the staff performance appraisal system with the corporate social responsibility policy, and set up a clear and effective reward and punishment system?	V		(1) The Company had passed the "Code of Practice for Corporate Social Responsibility of Grape King Bio Ltd." and taken CSR-related initiatives in 2015. The Company is aiming for a sustainable development which is promoted and implemented through the five goals of food safety, R&D and innovation, employee relations, social co-prosperity and green environment. (2) The Company conducts social responsibility promotion to employees on a regular basis. (3) The Company has a "Corporate Social Responsibility Committee" under the General Manager's Office which actively responds to and promotes social welfare activities, and has included corporate social responsibility in the six objectives of the Company's annual business so as to implement the spirit of corporate social responsibility. Each year, the information is gathered and submitted to the Board of Directors. (4) As the article of incorporation, the company should make provision based on Income Before Tax for 6%-8% as employee bonus, and the performance appraisal system shall include corporate social responsibility in the performance appraisal. In addition, the employee performance appraisal is conducted at the end of the year, through the initial goal setting as well as mid-term and end-of-term assessment interviews. The assessment results are used as the basis for promotion and remuneration.	No major difference
2. Development of Sustainable Environment (1) Is the company committed to improving the efficiency in the use of resources, and the use of recycled materials with low environmental impact? (2) Has the company established an appropriate environmental management system according to its industrial characteristics? (3) Is the company aware of the	V		(1) 1. The Company has implemented garbage classification and has the garbage bins clearly marked with their respective classifications. Besides, a resource collection and storage area is designated for recycling of reusable resources to effectively reduce the total amount of waste. 2. The Company has constructed a waste	No major difference



Evaluation Item	Implementation Status		Abstract Explanation	Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>impact of climate change on its operations, and has it implemented greenhouse gas checking and developed a strategy for reduction of energy consumption and carbon emission as well as greenhouse gas reduction?</p>			<p>water treatment plant to treat the waste water from production with biodegradation and chemical treatment, and the water will not be discharged until it meets the regulatory standards after treatment. Non-dischargeable hazardous waste will be collected and stored for periodic outsourced disposal. In addition, the Company actively replaced the wastewater treatment plant equipment to improve its processing capacity. The original treatment volume increased from 350 CMD to 550 CMD per day.</p> <p>3. To effectively utilize waste heat from the process, the Company has set up a hot vapor recovery system to recycle the waste heat from each process area to the boiler system, so as to improve energy efficiency and reduce boiler fuel consumption.</p> <p>4. The company has set up kitchen-dedicated recycling barrels for centralized treatment and reuse of resources and reduction of health problems from kitchen garbage.</p> <p>5. Computer related waste will be reviewed by the Information Department to confirm their reusability, and the reusable resources will be extracted and then passed to recycling companies.</p> <p>6. An agreement is made with suppliers to have reusable resources, such as cardboard boxes and glass bottles, to be recycled and reused. °</p> <p>7. Recyclable items are reviewed to have the waste reused as much as possible. If the number of the items is small but recyclable, then they will be centralized for recycling. °</p> <p>(2)</p> <p>1. Development of enterprise resource planning system: To reduce the total amount of paper used by the company.</p> <p>2. Resource classification: Resources are classified into paper, glass, metal and plastic bottles to improve resource recycling.</p> <p>3. Reuse of waste water: The clean water used in the plant is reused for non-processing and non-personal contact related purposes.</p> <p>4. Waste heat recycling: The remaining heat in the plant is recycled for boiler water preheating to reduce the use of resources.</p> <p>5. Introduction of the ISO14000 system: The ISO system is used for continuous review and improvement to establish a long-term virtuous circle.</p> <p>6. Import of clean energy: The Company</p>	

Evaluation Item	Implementation Status		Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons								
	Yes	No									
			<p>has transformed the boiler equipment and plans to use clean energy (natural gas) as fuel to reduce air pollution.</p> <p>7. The Company obtained ISO14001 certification on September 11, 2017.</p> <p>(3)</p> <p>1. Energy saving target Due to concerns over energy management issues and the severe challenges in future energy management, to effectively manage energy use and improve energy efficiency, the Company plans to introduce the ISO 50001 system in the next three years and gradually obtain external certification, and build through the counseling unit a real-time energy performance information management system to achieve the win-win goal of reducing energy costs, predicting equipment maintenance, and enhancing corporate image. Set year 2016 as the base year, and the company's average electricity consumption was expected to drop by 2% in 2019 and 20% in 2026.</p> <p>2. Carbon reduction target In addition to setting power-saving goals, in order to achieve the goal of a sustainable development of the enterprises and reduce global warming efforts, the issue of reducing CO2 emissions from various energy sources is also of great concern. However, the ISO 14064 greenhouse gas inventory inspection system has not yet been introduced. Therefore, the annual carbon emissions report so far is based on the sum of the fuel oil (heavy oil), gas, and electricity consumed by the Pingzhen plant and Zhongli plant. The target for 2018 is the boiler fuel of the Zhongli plant, which will be changed from the incompletely combusted heavy oil to low-carbon natural gas, so as to increase the Company's consumption of natural gas from 4% to over 35% of the total energy consumption. The carbon emissions in the past three years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Carbon emission (kg)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>8,422,504</td> </tr> <tr> <td>2016</td> <td>9,379,894</td> </tr> <tr> <td>2017</td> <td>14,748,630</td> </tr> </tbody> </table> <p>3. The Company promotes energy-saving measures 【Zhongli Factory】 (1) Replaced the cooling tower of the blending production line to improve the cooling stability of the production line. (2) Replaced the cooling tower's heat</p>	Year	Carbon emission (kg)	2015	8,422,504	2016	9,379,894	2017	14,748,630
Year	Carbon emission (kg)										
2015	8,422,504										
2016	9,379,894										
2017	14,748,630										

Evaluation Item	Implementation Status		Abstract Explanation	Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>sink.</p> <p>(3) Replaced all the quality control laboratory's traditional T8 lamps with LED energy-saving flat-panel luminaries, which reduced power consumption by approximately 64 degrees a day.</p> <p>(4) Discarded the old ice-water unit with a long service life and replaced it with a new main ice-water unit with an energy efficiency COP/EER value of 5.15.</p> <p>(5) Replaced the traditional halogenated water pump motors with IE3 high-efficiency motors.</p> <p>(6) Set up steam condensation and recovery equipment to supply water to boilers; raised boiler water temperature by approximately 12 degrees and increased the boiler combustion efficiency by approximately 2%.</p> <p>【Pingzhen Factory】</p> <p>(1) It is planned to set up a small solar panel power supply system on the top floor of a sightseeing factory in 2018 to supply all the lighting on the 2nd floor. This will save about NT\$34,020 in electricity bills a year.</p>	
<p>3. Social welfare</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p> <p>(2) Has the company set up an employee complaint mechanism and channel, and properly handles employee complaints?</p> <p>(3) Does the company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?</p> <p>(4) Has the Company established a mechanism for regular employee communication and keep them informed in a reasonable manner of the changes in the operation which may have a significant impact on the employees?</p> <p>(5) Has the company developed an effective training program for employees?</p> <p>(6) Has the company formulated relevant policies and complaint procedures for the protection of consumers' rights in respect of</p>		V	<p>(1) The Company has an Employee Welfare Committee which regularly holds labor meetings in accordance with the law and has developed employee rules.</p> <p>(2) The Company has established various types of employee complaint mechanisms and channels, including physical and virtual mailboxes. In addition, the Company from time to time holds interviews with new and existing employee to enhance communication channels. An employee satisfaction survey is held every year to ensure that their voice can be heard.</p> <p>(3) The Company regularly checks fire and sanitation equipment, and has a health center, factory nurses and AED equipment, and regularly holds health checks for in-service workers and conducts labor safety and health training every year to establish a sense of safety.</p> <p>(4) The Company has set up an Employee Opinion Box for employees in order to respond to their comments at any time, and to inform employees via notices of the changes which may have a significant impact on the operation.</p> <p>(5) The Company's efforts have been directed toward the improvement of both the company's operations and its employees' careers. The Company encourages employees to participate in</p>	No major difference

Evaluation Item	Implementation Status		Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
R&D, procurement, production, operations and service processes? (7) Does the company comply with relevant laws and regulations and international standards for the marketing and labeling of products and services? (8) Does the company check whether a supplier has any record of environmental and social impact before doing any business with the supplier? (9) Does the contract between the company and its principal supplier contain the condition that the contract may be terminated at any time if the supplier is involved in a policy that violates its corporate social responsibility and has a significant impact on the environment and society?			various learning opportunities, and employees are willing to provide feedback to the Company on the knowledge learned, thus creating in the organization a positive learning cycle. Through the introduction of TTQS training quality system, the Company's training system has become more complete. (6) The company has set up a 0800 consumer product consulting line, so that consumers can enjoy after-sales product advisory services or complaints management. (7) The Company engages in the marketing and publicity of products and services in accordance with the provisions of the Ministry of Health and Welfare on food labeling and marketing methods. (8) The Company assesses whether the supplier complies with national laws and industry standards. (9) The Company has updated the corporate social responsibility terms in the new contract in 2015.
4. Strengthening information disclosure (1) Does the company disclose relevant and reliable information on corporate social responsibility on its website and MOPS?	V		The Company appropriately discloses its corporate social responsibility related information on its website and in its corporate social responsibility report and annual report. No major difference
5. If the company has its own corporate social responsibility code in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the prescribed code: No major difference.			
6. Other important information to help understand the operation of corporate social responsibility: <ul style="list-style-type: none"> ● In 2015 the Company launched the [Love the Earth, No Carbon Gas] project to facilitate the implementation of energy saving and carbon reduction. The Company's carbon reduction target was 228,881 kg or more, exceeding the carbon reduction target of 80,000 kg by 186%. The Company also implemented a green point collection system to encourage the employees to start from themselves. ● In 2016 the Company published its corporate social responsibility report to show its continued commitment to a sustainable development. ● In 2016 the Company organized the "Reindeer around the Island" and invited the employees to participate in the Christmas shoebox collection activity to care for disadvantaged children in remote schools, enhance the spiritual level of children, promote moral education and spread warmth and joy. 39 students from 2 schools (Yushan Elementary School and Waishe Elementary School) were benefited. ● In 2016 the Company funded the remote school Chiayi Guogou Junior High School, sponsored three-axis mobile phone stabilizer sets, and interpreted the essence of the micro-film "Recording the Story of Life". ● In 2016 the Company donated New-Year dinner to care for the elderly living alone, in the hope that the elderly are not alone in the New Year's Eve and feel the love and care. ● In 2016 the Company encouraged Taiwan's elderly group to have a stage to realize their dreams, supported the elderly to step into the society through its "Santa Claus Training School" and allowed the disadvantaged group to spend a warm Christmas. ● In 2016 the Company encouraged employees to participate in health-promoting activities and internally launched the "2016 Grape King GO Health, Weight Loss Competition" to promote weight control and reduce obesity-related morbidity. ● In 2016 the Company also held health related lectures from time to time on topics such as body fat testing, bone density testing, stress-relieving Chinese acupoint massage and influenza vaccination. The Company also held "Stress-relieving In-factory Massage Services" and "Hsinwu Green Tunnel Bicycle Tour" for the employees to ease the pressure and precipitate the mind in their spare time. ● The Company continues to contribute to the Benevolence Fund for elementary and junior high schools (e.g., Pingzheng Junior High School, Zhongli Junior High School, Longxing Junior High School and Longgang Elementary School) to help disadvantaged children to receive education. ● In 2017, the Company funded three schools in Pingtung (Guhua Elementary School, Chingshan Elementary School and Wutan Elementary School) and offered vests and school sportswear for equipment training as well as physical education training equipment and balls to the aboriginal schools to enhance the competitiveness of the students' health and sports learning. 			

Evaluation Item	Implementation Status		Abstract Explanation	Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<ul style="list-style-type: none"> ● In 2017, the Company moved its "Care for the Aborigines" event to Luofu Elementary School in Fuxing Township, and presented a picture book set of the aborigines' stories. This picture book set is a translation of the stories into Atayal, Paiwan, Bunun and Ami ethnic languages and English. It is hoped that the students can improve their knowledge through reading the books. ● In 2017, the Company participated in the "Food Box Assistance" event and donated 200 boxes of food and 200 boxes of Probiotics flavor cream roll the limited product from the Company's tourist factory. The food was delivered to disadvantaged families in Taoyuan and Hualien. ● In 2017, the Company launched "The Color of Music for the Visually Impaired" event and funded the music learning of visually impaired people by making music scores into "musical Braille scores", so that not only visually impaired friends can freely use these musical Braille scores, but visually impaired musicians can increase their competitiveness in music. ● In 2017, the Company launched the "Heart-Warming Christmas Feast" series of events (a total of 13 institutions were awarded the Heart-Warming Christmas Feast, including the Baby Potential Development Center, Hongdao Elderly Welfare Fund, Eden Foundation, World Peace Foundation, Chungli Junior High School, Pingzheng Junior High School, Longxing Junior High School, Longgang Elementary School, Tihui Nursery School, Chensenmei Social Welfare Foundations ... etc.). ● In 2017, the Company obtained the Healthy Workplace certification (Health Activation Badge) and the AED Safe Workplace certification, and was proved to have a friendly work environment. ● In 2017, the Company obtained OHSAS 18001 and TOSHMS occupational safety and health management system certificates. For the health of the employees, the Company planned a complete health examination program and held related health promotion activities to allow all employees to receive comprehensive health care. ● In 2017, the Company obtained the Sports Enterprise certification, the Taoyuan City Excellent Nursing Room certification (quality award) and the Health Workplace Certification (Health Activation Badge) for its Zhongli Factory and Pingzhen Factory in 2017. ● In 2017, the Company introduced clean energy and rebuilt the boiler equipment and plans to use clean energy (natural gas) as the fuel to reduce air pollution. ● In 2017, the Company implemented noise control to effectively reduce the noise of the factory. In addition, the Company optimized the sound insulation and noise reduction facilities in the public support system area to enhance the environment quality of the surrounding residents. 	
7. Please state if the company's corporate social responsibility report passes the relevant verification agencies' verification criteria:			<p>The Company's 2017 CSR Report was entrusted to Ernst & Young for planning in accordance with Confirmed Rules Gazette No. 1 "Verification Cases Not Related to Historical Financial Information Verification or Review" of the Accounting Research and Development Foundation of the Republic of China, and the verification work was executed accordingly. Please refer to P.86 to P.87 of the CSR report for details of the verification report.</p> <p>The Company's CSR report for 2017 was released in March 2018 and is available for download on the website (www.grapeking.com.tw).</p>	

(7) Implementation of Integrity Management

Evaluation Item	Implementation Status		Abstract Illustration	Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
1. Setting business integrity policies and programs (1) Does the company express its commitment to the policies and practices of integrity management in its regulations and in the external documents, and do the board of directors and the management actively implement the business policies? (2) Has the company set up a program for the prevention of dishonesty as well as the procedures, conduct guidelines and a disciplinary and appeals system in various programs and implemented them? (3) Has the Company adopted precautionary measures in respect of business activities with a high risk of dishonesty in Article 7 (2) of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		(1) The Company has the "Code of Practice and Administration Measures for Rewards and Punishments" to prevent the occurrence of dishonesty and prohibits the employees from using their functions and duties to misappropriate public funds, damage the interests and reputation of the company, etc. The Company also undertakes on its website sound corporate governance and compliance with the laws and regulations and the Code of Business Ethics. (2) The Company has the "Corporate Governance Best Practice Principles and the Guidance on Procedures" and "Conduct for Honest Operations", and a disciplinary and appeals system as stated in Article 24 of the Corporate Governance Best Practice Principles. In order to strengthen and implement the Corporate Governance Best Practice Principles, the new staff is educated in professional ethics, integrity and related internal and external laws and regulations in the pre-service training, so that the principle of "integrity" can be inculcated in them. (3) The Company has set out a precautionary scheme in the Corporate Governance Best Practice Principles for the following behaviors: * bribery * provision of illegal political contributions * improper charitable donation or sponsorship * provision or acceptance of inappropriate gifts, entertainment or other benefits * infringement of intellectual property rights * engagement in unfair competition * Provision of products or services damaging to interested parties	No major difference
2. Implementation of integrity management (1) Does the company assess the integrity record of its business partner, and stipulate the terms of conduct on integrity in the contract with the business partner? (2) Has the company set up a dedicated (or concurrent) corporate integrity promotion unit under the board of	V		(1) The Company fulfills the contract of commercial activities in accordance with the principle of fairness and integrity, the provisions of the relevant laws and regulations and the contract terms, and assesses the business partner with the same principle. The Company also established the relevant integrity terms in the contract. (2) The Company has established a Code of Integrity Practice, and the management is operating in compliance with the Code. (3) The Company has a benefit avoidance clause in the "Corporate Governance Best Practice Principles and the Guidance on Procedures" to avoid conflicts of interest, and implements division of functions in the spirit of internal	No major difference

Evaluation Item	Implementation Status		Abstract Illustration	Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>directors which regularly reports to the board on its work?</p> <p>(3) Has the company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?</p> <p>(4) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, which is checked by the internal auditing unit on a regular basis or audited by external auditors?</p> <p>(5) Does the company hold regular internal and external training on business integrity?</p>			<p>control. The Company has also set up an appropriate investigation mechanism and a system for statements of the parties.</p> <p>(4) The Company has established an accounting system and an internal control system for the integrity operation of the Company, and the internal audit unit conducts checks in accordance with the annual audit plan submitted to the board of directors.</p> <p>(5) In 2017, the Company held internal and external education training (including related laws and regulations on integrity management, food safety and health management and inspection, and accounting system and internal control) related to the issues of good faith management for a total of 825 person-times and 2,802.5 person-hours.</p>	
<p>3. Operation of the Company Reporting System</p> <p>(1) Has the company set up specific reporting and reward systems and a convenient reporting channel, and does the company assign appropriate personnel to investigate the person being reported?</p> <p>(2) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported?</p> <p>(3) Does the company take measures to protect the reporter from improper treatment?</p>	V		<p>(1) The Company has established the “Code of Integrity Practice” and the “Procedures for Accusation and Complaint Management”. The Company has set up a clear accusation system, and detailed specific accusation channels, a reward system, and ad hoc units as follows:</p> <p>1. Grievance channels:</p> <p>(1) Internal suggestion box</p> <p>(2) Grievance and complaint hotlines</p> <p>(a)Grievance hotline: (03)4572121#1999</p> <p>(b)Complaint hotline: (03)4582121#1995</p> <p>(3) Feedback via email or website</p> <p>(a)Grievance box: companyopinion@grapeking.com.tw</p> <p>(b)Complaint box: employeeopinion@grapeking.com.tw</p> <p>2. Reward system:</p> <p>(1) Non-employees: Company gift for the reporting of an incident.</p> <p>(2) Internal staff: Rewards according to the Company's personnel regulations.</p> <p>3. Designated handling units:</p> <p>The grievances are consolidated by the audit</p>	No major difference

Evaluation Item	Implementation Status		Abstract Illustration	Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			department, the complaints are consolidated by the human resources department, and the feedback via email or website is consolidated by the Company's designated personnel. They are finally consolidated and reported to the general manager for review and instruction (2) The Company's "Grievance and Complaint Management Procedures" is the standard operating procedure for handling grievances and related confidentiality matters. (3) The safety of the complainant shall be protected. Care shall be taken in accordance with the precautionary notes of the confidentiality statement, and no improper punishment shall be imposed for the grievance.	
4. Strengthening of Information Disclosure Does the company disclose the contents of its Code of Practice for Business Integrity and the effectiveness on its website and MOPS?	V		The Company has the "Code of Practice for Business Integrity", the "Corporate Governance Best Practice Principles" and the "Code of Ethical Conduct" which are published on the Company's website.	No major difference
5. If the Company has its own Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: No major difference.				
6. Other important information that will help to understand the operation of the company's integrity: The Company actively provides the Directors and Supervisors with training courses held by external institutions on a monthly basis, and actively arranges lecturers to carry out training on integrity management relate issues.				

(8) Inquiry on Corporate Governance Best Practice Principles and related regulations: The Company has its Corporate Governance Best Practice Principles which can be checked on MOPS or the Company's website.

(9) Other important information to enhance the understanding of the corporate governance of the Company: They can be checked on MOPS or the Company's website.

- (10) Implementation of the internal control system
i. Internal Control Statement

Statement of Internal Control System

Date: February 22, 2018

The internal control system from January 1 to December 31, 2017, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal control System by Listed Companies” (hereinafter referred to as “Highlights”) promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on February 22, 2018, and those 7 directors in presence all agree at the contents of this statement.

Grape King Bio Ltd.

Chairman: Andrew Tseng

General Manager: Andrew Tseng

ii. If the Securities and Futures Commission requires the company to commission an accountant to audit its internal control system, please disclose the accountant's audit report: Nil.

(11) The punishment to the company and its employees in accordance with the law, the company's punishment to its employees for violation of the provisions of its internal control system, the major defects and the improvements made in the latest year and as of the date of publication of the annual report: Nil.

(12) Important resolutions of the shareholders' meeting and the board meetings in the latest year and as of the date of publication of the annual report:

i. Important resolutions of the shareholders' meeting and the status of implementation

The Company's 2017 general shareholders' meeting was held on June 13th, 2017 at No. 402, Section 2, Jinling Road, Pingzhen District, Taoyuan City. The resolution by the attending shareholders and the implementation status are as follows:

No.	Resolution of shareholders' meeting	Status of implementation
1	Acknowledgement of the Company's 2016 business report and financial statements	The relevant documents have been filed with the competent authorities for record and announcement in accordance with the Company Law and other relevant laws and regulations.
2	Acknowledgement of the Company's 2016 profit distribution	Proposed July 17, 2017 as the record date, and August 11, 2017 as the payment date (cash dividend of NT\$6.4 per share).
3	Approved the amendment to the Company's "Articles of Incorporation"	The registration was approved by the Ministry of Economic Affairs on June 28, 2017 and announced on the Company's website
4	Approved the amendment to the Company's "Handling Procedures for Acquisition or Disposition of Assets" was approved	The resolution was passed and reported on the MOPS, and announced on the Company's website.
5	Approved the amendment to the Company's "Endorsement Guarantee Operating Procedures"	The resolution was passed and reported on the MOPS, and announced on the Company's website.

ii. Important resolutions of the board meetings

Board meeting	Resolution content and subsequent handling	Matters in §14-3 of the Securities Exchange Act	Independent Directors' objection or reserved opinion
The 1st extraordinary board meeting of the 18th term board of directors Jan 3, 2017	The Company proposed the measures to buy back shares for transfer to employees.	V	
	The Company intended to buy back shares as treasury shares for distribution to employees.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
Results of the resolutions: All attending Directors agreed to pass the resolutions.			
The 11th board meeting of the 18th term board of directors Jan 19, 2017	1. Adopted the Remuneration Committee's proposal.	V	
	2. Passed the record date of the capital increase for the Company's first domestic unsecured convertible corporate bond (hereinafter referred to as convertible corporate bond) in the fourth quarter of 2016.	V	
	Provisional motion: 1. Passed the list of the Company's investors who repurchased/redeemed 10% or more of the	V	

Board meeting	Resolution content and subsequent handling	Matters in §14-3 of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	Company's securities in the year.		
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 12th board meeting of the 18th-term board of directors Mar 21, 2017	1. Passed the amendment to the "Articles of Incorporation".	V	
	2. Passed the amendment to the Company's "Rules of Procedure for Board Meetings".	V	
	3. Passed the 2016 remuneration distribution to employees, directors and supervisors.	V	
	4. Passed the Company's 2016 business report and financial statements.	V	
	5. Passed the Company's 2016 profit distribution proposal.	V	
	6. Passed the proposal to amend the Company's "Procedures for Acquisition and Disposal of Assets".	V	
	7. Passed the proposal to amend the Company's "Endorsement Guarantee Procedures".	V	
	8. Passed the Company's 2017 shareholders' meeting date, venue and agenda: (1) Date: 9 am on June 13, 2017 (Tuesday) (2) Venue: Auditorium on the fourth floor of the Company at No. 402, Section 2 Jinlingng Road, Pingzhen District, Chungli District, Taoyuan City (8F of the Pingzhen headquarters) (3) Agenda of the shareholders' meeting: A. Matters to be reported: 1. The Company's 2016 business report. 2. The Supervisors' review of the 2016 audit report. 3. The 2016 remuneration to employees, directors and supervisors. 4. The 2016 investment in PRC. 5. The implementation status of the Company's first unsecured domestic convertible corporate bond. 6. The establishment and amendment to the Company's "Measures for Share Buyback for Distribution to Employees". 7. The implementation status of the Company's share buyback. B. Acknowledgements: 1. The Company's 2016 business report and financial statements. 2. The Company's 2016 profit distribution. C. Matters for discussion 1. Amendment to the "Articles of incorporation". 2. Amendment to the Company's "Procedures for Acquisition and Disposal of Assets". 3. Amendment to the Company's "Endorsement Guarantee Procedures".	V	

Board meeting	Resolution content and subsequent handling	Matters in §14-3 of the Securities Exchange Act	Independent Directors' objection or reserved opinion	
	D. Provisional motion: None.			
	9. Passed the result of Company's 2016 internal control self-assessment.	V		
	10. Passed the amendment to the Company's internal control Policy.	V		
	11. Passed the review of the accountant's independence.	V		
	12. Passed the Company's 2017 business plan.	V		
	13. Passed the list of the Company's investors who repurchased/redeemed 10% or more of the Company's securities in the year.	V		
	Independent Directors' opinions: Nil			
	The Company's handling of Independent Directors' opinions: Nil			
Results of the resolutions: All attending Directors agreed to pass the resolutions.				
The 13th board meeting of the 18th-term board of directors May 10, 2017	Adopted the Remuneration Committee's proposal.	V		
	Independent Directors' opinions: Nil			
	The Company's handling of Independent Directors' opinions: Nil			
	Results of the resolutions: All attending Directors agreed to pass the resolutions.			
The 14th board meeting of the 18th-term board of directors Jun 13, 2017	1. Set the record date for stock and cash dividends.	V		
	2. Passed the adjustment to the conversion price of the Company's first domestic unsecured convertible corporate bond (Grape King 1, code: 17071) and the delegation to the Chairman for implementation.	V		
	3. Passed the amendment to the Company's "Operating Procedures for Loans to Others".	V		
	4. Passed the Company's proposed credit line application with Land Bank for its business operations.	V		
	5. Passed the Company's proposed credit line application with Chang Hwa Bank for its business operations.	V		
	6. Passed the Company's proposed application with Hua Nan Bank for a credit line and credit line renewal for its business operations and mid and long term capital needs.	V		
	7. Passed the delegation to the Chairman to handle the Company's investment in its Dongguan subsidiary within the investment amount of RMB 5 million.	V		
	Provisional motion: 1. Passed the assignment of Executive Director and supervisors for Dongguan subsidiary.	V		
	Independent Directors' opinions: Nil			
	The Company's handling of Independent Directors' opinions: Nil			
Results of the resolutions: All attending Directors agreed to pass the resolutions.				
The 15th board meeting of the 18th-term board of directors	1. Passed the 2016 corporate governance assessment results and review.	V		
	2. Passed the ratification of the general manager of the Company's subsidiary Shanghai Grape King Enterprise Co., Ltd.	V		

Board meeting	Resolution content and subsequent handling	Matters in §14-3 of the Securities Exchange Act	Independent Directors' objection or reserved opinion
Aug 10, 2017	3. Passed the Company's change of external auditor from the second quarter of 2017 onward.	V	
	4. Passed the Company's consolidated financial reports for the second quarter of 2017.	V	
	5. Passed the list of the Company's investors who repurchased/redeemed 10% or more of the Company's securities in the year.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 16th board meeting of the 18th-term board of directors Nov 8, 2017	1. Passed the amendment to the Company's "Rules of Procedure for Board Meetings".	V	
	2. Passed the establishment of the Company's "Scope of Independent Directors' Responsibilities".	V	
	3. Passed the Company's proposed credit line application with Land Bank for its business operations.	V	
	4. Passed the Company's 2018 audit plan.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
Results of the resolutions: All attending Directors agreed to pass the resolutions.			
The 17th board meeting of the 18th-term board of directors Jan 26, 2018	1. Passed the amendment to the Company's "Measures for Share Buyback for Distribution to Employees".	V	
	2. Adopted the Remuneration Committee's proposal of the 2017 year-end bonuses for managers.	V	
	3. Passed the Company's 2018 business plan.	V	
	4. Passed the record date of the capital increase for the Company's first domestic unsecured convertible corporate bond in the fourth quarter of 2017.	V	
	5. Passed the amendment to the Company's internal control operations, internal audit operations and grievance and complaint channel management procedures.	V	
	6. Passed the amendment to the Company's "Code of Integrity Practice"	V	
	7. Passed the Company's proposed credit line application with Chang Hwa Bank for its business operations.	V	
	8. Passed the list of the Company's investors who repurchased/redeemed 10% or more of the Company's securities in the year.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
Results of the resolutions: All attending Directors agreed to pass the resolutions.			
The 18th board meeting of the 18th-term board of directors Feb 22, 2018	1. Passed the 2017 remuneration distribution to employees, directors and supervisors.	V	
	2. Passed the Company's 2017 business report and financial statements.	V	
	3. Passed the Company's 2017 "Effectiveness assessment of internal control system" and "Management's Report on Internal Control".	V	

Board meeting	Resolution content and subsequent handling	Matters in §14-3 of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	4. Passed the Evaluation of independent of External Certificate Auditor.	V	
	5. Passed the assignment of Company Director Representative for subsidiary, Pro-Partner Ltd.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 19th board meeting of the 18th-term board of directors Mar 9, 2018	1. Passed the amendment to the Company's "Measures for the Election of Directors and Supervisors".	V	
	2. Passed the re-election of directors and supervisors.	V	
	3. Passed the Company's 2017 earnings distribution proposal.	V	
	4. Passed the list of director, independent director and supervisor candidates nominated by the board of directors.	V	
	5. Passed the lifting of non-competition restrictions on new directors.	V	
	6. Passed the Company's 2018 shareholders' meeting date, venue and agenda: (1) Date: 9 am on May 29, 2018 (Tuesday) (2) Venue: Auditorium on the fourth floor of the Company at No. 402, Section 2 Jinlingng Road, Pingzhen District, Chungli District, Taoyuan City (8F of the Pingzhen headquarters) (3) Agenda of the shareholders' meeting: A. Report Items: 1. 2017 business report. 2. The Supervisors' review of the 2017 Financial Statements. 3. Report on Remuneration Distribution for Employees, Directors and Supervisors for the Year 2017. 4. 2017 Implementation of Investments in the PRC. 5. Amendments to the Rules for Transferring Share Repurchases to Employees B. Matters for Ratification: 1. Adoption of the 2017 Business Report and Financial Statements. 2. Adoption of the Proposal for Distribution of 2017 Profits. C. Matters for discussion 1. To amend the Company's Procedures for Loaning Funds to Others". 2. To amend the Company's Procedures for Election of Directors and Supervisors. D. Matters for Election: 1. To elect directors and supervisors. E. Other matters: 1. To release the Directors elected from non-competition restrictions. F. Extempore motion:	V	

(13) If the directors or supervisors have different opinions about important resolutions adopted by the board in the latest year and as of the date of publication of the annual report, and there are records or written statements: Nil.

(14) Summary of the resignation of the company's related personnel

- i. Summary of the resignation and dismissal of personnel relevant to the financial report in 2017 (including the chairman, general manager, chief accountant, chief financial officer, internal audit manager, R&D director, etc.): Nil.
- ii. Summary of the resignation and dismissal of personnel relevant to the financial report as of the date of publication of the annual report (including the chairman, general manager, chief accountant, chief financial officer, internal audit manager, R&D director, etc.): Nil.

4. Accountant Fees

(1) Accountant fee information and tier table

Accounting firm	CPA name		Audit period	Remarks
Ernst & Young	Mars Hung	James Wang	Jan 1, 2017 - June 30, 2017	Internal rotation of the firm.
Ernst & Young	Mars Hung	Julia Lo	Jul 1, 2017 - Dec 31, 2017	

Unit: NT\$ thousand

Tier		Fee item	Audit fee	Non-audit fee	Total
1	Lower than 2,000,000			1,142	
2	2,000,000 (inclusive) - 4,000,000		3,405		
3	4,000,000 (inclusive) - 6,000,000				4,547
4	6,000,000 (inclusive) - 8,000,000				
5	8,000,000 (inclusive) - 10,000,000				
6	10,000,000 and more				

(2) If the non-audit fees paid to the certifying CPA, the CPA's firm and the firm's affiliated businesses are more than 25% of the audit fees, please disclose the audit and non-audit fees and the non-audit services.

Unit: NT\$ thousand

Accounting firm	CPA name	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	HR	Others (Note 1)	Sub-total		
Ernst & Young	Mars Hung	3,405	-	222	-	920	1,142	Jan 1, 2017 - June 30, 2017	
	James Wang								
	Mars Hung							Jul 1, 2017 - Dec 31, 2017	
	Julia Lo								

Note 1: Non-audit fees are presented by service items. If the "other" non-audit fees are 25% or more of the total amount of non-audit fees, please list the services in the remarks column: The "others" of non-audit fees include NT\$670 thousand for the CSR report and consulting service, NT\$170 thousand for the transfer pricing report, and NT\$80 thousand for the biotech product sales price and quantity agreement procedures.

- (3) If there is a change of the accounting firm, and in the year of the change the audit fee is lower than that in the previous year, please disclose the audit fees before and after the change and the reasons: Nil.
- (4) If the audit fee is reduced by more than 15% over that in the previous year, please disclose the amount of audit fee reduced, the proportion and reason for the reduction: There is no reduction in the audit fees.

5. Change of Accountants

(1) About the former accountant

Date of Change	June 30, 2017		
Reason for the change and explanation	Due to the internal rotation of the accounting firm, the original accountant James Wang was replaced by Julia Lo.		
Explain whether it was due to the appointer's or accountant's termination or the accountant's declination of the appointment	Party	Accountant	Appointer
	Proactive termination of appointment	Not applicable	
	Non-acceptance of (continued) appointment		
Issuance of reports with opinions other than unreserved opinions in the last two years and the reasons	None.		
Is there any disagreement with the issuer?	Yes		Accounting principles or practices
			Financial report disclosure
			Audit scope or steps
			Others
	No	V	
Remarks	Not applicable		
Other disclosures (those to be disclosed according to Article 10.6 (1-4) to (1-7) of the Guidelines)	Nil		

(2) About the succeeding accountant

Name of the firm	Ernst & Young Certified Public Accountants
Name of the accountant	Julia Lo
Date of appointment	July 1, 2017
Pre-commissioning of accounting methods or accounting principles for specific transactions, and consultations and the results of possible opinions on the financial reports	None.
Written opinion of the succeeding accountant concerning the difference in opinions from the former accountant	None.

- (3) Reply letter from the former accountant on the matters in Article 10.6 (1) and (2-3) of the Guidelines: Not applicable.

6. The Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Auditing CPA Firm or Its Affiliated Businesses in the Past Year: Nil

7. Particulars about Changes in Shareholding and Share Pledge of Directors, Supervisors, Managers and Shareholders Holding More than 10% of the Company's Shares in the Past Year and as of the Date of Publication of the Annual Report:

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

March 31, 2018 Unit: share

Title (Note)	Name	2017		Current year as of March 31	
		Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)	Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)
Chairman and GM	Andrew Tseng	154,000	-	30,000	-
Director	Cheng-An Lai	-	-	-	-
Director	Zhijia Chang	-	-	-	-
Director	Yan-Yi Huang	-	-	-	-
Director	Chang-Yeh Tseng	-	-	-	-
Director	Mei-ching Tseng	33,000	-	26,000	-
Director	Ding Fu Investment Co., Ltd. (Note 1)	-	-	-	-
Director (corporate representative)	Sheng-Bin Tseng (Note 2)	-	-	-	-
Independent Director	Fengyi Lin	-	-	-	-
Independent Director	Ching-Fu Chen	-	-	-	-
Supervisor	Chih-Sheng Chang	-	-	-	-
Supervisor	Mei-Li Chen	-	-	-	-
Deputy GM, R&D Div.	Jin-Chu Chen	-	-	-	-
Deputy General Manager, Business Division	Yuan-Tsung Lin			2,000	
CFO	Nick Hung	-	-	-	-
CLO	Chih-Lin Hung				

Note 1: The Company has no shareholders with more than 10% of the Company's total shares.

Note 2: Ding Fu Investment Co., Ltd. was elected Director on June 26, 2015 and appointed Mr. Sheng-Bin Tseng as a legal representative on June 26, 2015.

(2) Share Trading Information: Nil.

(3) Share pledge Information: NA.

8. Information about the top 10 shareholders who are interested parties

Unit: share; %

Name	Own shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party relationship per the Financial Accounting Standards Bulletin No. 6		Remarks
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %	Name	Relationship	
Fubon Life Insurance	9,300,000	6.86	-	-	-	-	Nil	Nil	
Andrew Tseng	5,761,244	4.25	-	-	-	-	Chang-Yeh Tseng Mei-ching Tseng	Mother and son Sister and brother	
Mei-ching Tseng	4,505,117	3.32	-	-	11,000	0.01	Chang-Yeh Tseng Andrew Tseng	Mother and daughter Sister and brother	
Chang-Yeh Tseng	4,488,114	3.31	-	-	-	-	Andrew Tseng Mei-ching Tseng	Mother	
The Securities Investment Account of Morgan Stanley International under the Custody of HSBC Taipei	4,285,000	3.16					Nil	Nil	
Ching Biao Biotech Co., Ltd	2,834,000	2.09	-	-	-	-	Nil	Nil	
New Labor Retirement Fund	2,711,500	2.00	-	-	-	-	Nil	Nil	
Public Service Pension Fund Management Committee	2,229,000	1.64	-	-	-	-	Nil	Nil	
Chih-Sheng Chang	2,093,957	1.54	-	-	-	-	Nil	Nil	
The Securities Investment Account of Credit Suisse Securities under the Custody of Standard Chartered Bank Taipei	2,061,000	1.52	-	-	-	-	Nil	Nil	

9. Total Shareholding Ratio

December 21, 2017 Unit: thousand share; %

Re-invested businesses (Note)	The Company's investment		Investment by directors, supervisors, managers or directly or indirectly controlled businesses		Total investment	
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %
Pro-Partner Co., Ltd.	10,560	60	880	5	11,440	65
GRAPE KING INTERNATIONAL INVESTMENT INC.	24,890	100	-	-	24,890	100
Shanghai Grape King Enterprise Co., Ltd.	No shareholding as it is a limited company	100	No shareholding as it is a limited company	-	No shareholding as it is a limited company	100
Rivershine Ltd.	3,000	100	-	-	3,000	100
Shanghai Yi Zhao Trading Co., Ltd.	No shareholding as it is a limited company	100	No shareholding as it is a limited company	-	No shareholding as it is a limited company	100

Note: The investment of the Company based on the equity method.

1. Source of Share Capital

March 31, 2018 Unit: NT\$; share

Date	Par Value (NT\$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
1969	1000	5,000	5,000,000	5,000	5,000,000	Establishment with cash	Nil	China Fusang
1971	1000	18,000	18,000,000	18,000	18,000,000	Capital increase	Nil	
1971	1000	500	500,000	500	500,000	Establishment with cash	Nil	Grape King Food
1973	1000	25,000	25,000,000	25,000	25,000,000	Capital increase	Nil	
1973	1000	500	500,000	500	500,000	Establishment with cash	Nil	Head & Shoulders
1977	1000	66,100	66,100,000	66,100	66,100,000	Capital increase	Nil	
1977	1000	48,600	48,600,000	48,600	48,600,000	Capital increase	Nil	
1977	1000	10,000	10,000,000	10,000	10,000,000	Capital increase	Nil	
1979	10	15,000,000	150,000,000	15,000,000	150,000,000	Capital increase	Nil	Grape King Enterprise
1982	10	19,380,000	193,800,000	19,380,000	193,800,000	In 1981, there was a capital increase of NT\$10,500,000 from earnings, an appreciation from asset revaluation of NT\$25,104,000, a merger with Head & Shoulders for NT\$3,696,000, and a capital increase of NT\$4,500,000.	Nil	
1984	10	23,000,000	230,000,000	23,000,000	230,000,000	Approval ref. "73 Tai-Tsai-Cheng (1) No. 1925" for a capital increase of NT\$36,200,000	Nil	
1990	10	27,692,000	276,920,000	27,692,000	276,920,000	Approval ref. "79 Tai-Tsai-Cheng (1) No. 31424" for a capital increase of NT\$46,920,000 from 1988 earnings	Nil	

Date	Par Value (NT\$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
1990	10	53,365,700	533,657,000	53,365,700	533,657,000	Approval ref. "79 Tai-Tsai-Cheng (1) No. 02854" for a capital increase of NT\$200 million and a capital increase of NT\$56,737,000 from 1989 earnings	Nil	
1991	10	75,000,000	750,000,000	58,857,550	588,575,500	Approval ref. "80 Tai-Tsai-Cheng (1) No. 03453" for a capital increase of NT\$54,918,500 from 1991 earnings	Nil	
1992	10	75,000,000	750,000,000	64,909,085	649,090,850	Approval ref. "81 Tai-Tsai-Cheng (1) No. 02709" for a capital increase of NT\$60,515,350 from 1991 earnings	Nil	
1993	10	75,000,000	750,000,000	71,543,276	715,432,760	Approval ref. "82 Tai-Tsai-Cheng (1) No. 30931" for a capital increase of NT\$66,341,910 from 1992 earnings	Nil	
1994	10	78,920,310	789,203,100	78,920,310	789,203,100	Approval ref. "83 Tai-Tsai-Cheng (1) No. 42929" for a capital increase of NT\$73,770,340 from 1993 earnings	Nil	
1995	10	111,000,000	1,110,000,000	86,945,448	869,454,480	Approval ref. "84 Tai-Tsai-Cheng (1) No. 39338" for a capital increase of NT\$80,251,380 from 1994 earnings	Nil	
1996	10	111,000,000	1,110,000,000	95,768,491	957,684,910	Approval ref. "85 Tai-Tsai-Cheng (1) No. 41796" for a capital increase of NT\$88,230,430 from 1995 earnings	Nil	

IV

Capital Overview

Date	Par Value (NT\$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
1997	10	111,000,000	1,110,000,000	105,441,166	1,054,411,660	Approval ref. "86 Tai-Tsai-Cheng (1) No. 73312" for a capital increase of NT\$96,726,750 from 1996 earnings	Nil	
1998	10	130,920,000	1,309,200,000	111,818,587	1,118,185,870	Approval ref. "87 Tai-Tsai-Cheng (1) No. 71962" for a capital increase of NT\$63,774,210 from 1998 earnings	Nil	
1999	10	130,920,000	1,309,200,000	130,818,587	1,308,185,870	Approval ref. "87 Tai-Tsai-Cheng (1) No. 92331" for a capital increase of NT\$190,000,000	Nil	
2005	10	150,000,000	1,500,000,000	133,435,040	1,334,350,400	Approval ref. "Jin-Guan-Cheng (1) No. 0940133992" dated Aug 17, 2005 for a capital increase of NT\$26,164,530 from earnings	Nil	
2008	10	150,000,000	1,500,000,000	130,235,040	1,302,350,400	Approval ref. "Tai-Cheng-Shang No. 09700286141" dated Sept. 23, 2008 for a capital cancellation of NT\$32,000,000	Nil	
2015	10	150,000,000	1,500,000,000	130,300,141	1,303,001,410	Conversion of convertible corporate bond into shares for NT\$651,010, approval ref. "Jing-Shou-Shang No. 10501040870" dated Mar 8, 2016	Nil	

Date	Par Value (NT\$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2016	10	150,000,000	1,500,000,000	135,214,211	1,352,142,110	Conversion of convertible corporate bond into shares for NT\$49,140,700, approval ref. "Jing-Shou-Shang No. 10601033480" dated Mar 17, 2017	Nil	
2017	10	150,000,000	1,500,000,000	135,221,060	1,352,210,600	Conversion of convertible corporate bond into shares for NT\$68,490, approval ref. "Jing-Shou-Shang No. 10701023750" dated Mar 16, 2018	Nil	
2018	10	150,000,000	1,500,000,000	135,586,549	1,355,865,490	Conversion of convertible corporate bond into shares for NT\$3,654,890. Until the date of pulished, it haven't been approved.		

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total	
Common Stock	135,586,549 shares	14,413,451 shares	150,000,000 shares	Listed shares (with 508,000 shares treasury stocks)

Summary reporting system related information: Not applicable.

2. Status of Shareholders

March 31, 2018 Unit: person; share; %

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreigners	Total
Number	6	78	137	27,735	215	28,171
Shareholding	7,627,106	19,898,005	10,667,103	62,549,861	34,844,474	135,586,549
%	5.63	14.68	7.87	46.13	25.69	100

3. Shareholding Distribution Status

(1) Common Shares: Face value NT\$10 per share

March 31, 2018 Unit: person; share; %

Shareholding Tiers	No., of Shareholders	Shareholding	%
1 to 999	21,931	1,454,140	1.07
1,000 to 5,000	5,230	9,222,798	6.80
5,001 to 10,000	437	3,319,438	2.46
10,001 to 15,000	124	1,542,879	1.14
15,001 to 20,000	61	1,104,080	0.81
20,001 to 30,000	77	1,970,213	1.45
30,001 to 40,000	48	1,727,250	1.27
40,001 to 50,000	34	1,575,226	1.16
50,001 to 100,000	75	5,177,221	3.82
100,001 to 200,000	51	7,327,295	5.40
200,001 to 400,000	45	12,936,399	9.54
400,001 to 600,000	8	3,898,222	2.88
600,001 to 800,000	12	8,111,119	5.98
800,001 to 1,000,000	7	6,270,530	4.63
1,000,001 or more	31	69,949,739	51.59
Total	28,171	135,586,549	100.00

(2) Preferred shares: Not applicable.

4. Major Shareholders

March 31, 2018 Unit: share; %

Name	Shares	Shareholding	%
Fubon Life Insurance		9,300,000	6.86
Andrew Tseng		5,761,244	4.25
Mei-ching Tseng		4,505,117	3.32
Chang-Yeh Tseng		4,488,114	3.31
The Securities Investment Account of Morgan Stanley International under the Custody of HSBC Taipei		4,285,000	3.16
Ching Biao Biotech Co., Ltd		2,834,000	2.09
New Labor Retirement Fund		2,711,500	2.00
Public Service Pension Fund Management Committee		2,229,000	1.64
Chi-Sheng Chang		2,093,957	1.54
The Securities Investment Account of Credit Suisse Securities under the Custody of Standard Chartered Bank Taipei		2,061,000	1.52

5. The Share's Market Price, Net Worth, Earnings and Dividends for the Past Two Years

Unit: NT\$; share; %

Item		Year	2016	2017	Current year as of March 31, 2018
Market price per share (Note 1)	Highest		282.00	216.00	256.00
	Lowest		167.50	167.00	192.00
	Average		215.79	188.33	225.45
Net worth per share (Note 2)	Before distribution		35.56	38.42	(Note 6)
	After distribution		-	-	-
Earnings per share	Weighted average number of shares		131,988,410	134,742,902	134,846,007
	Earnings per share		9.82	10.03	(Note 6)
Dividend per share	Cash dividend		6.40	6.70 (Note 7)	-
	Bonus shares	-	-	-	-
		-	-	-	-
	Accumulated undistributed dividends		-	-	-
Investment return analysis	Price / Earnings ratio (Note 3)		21.97	18.78	-
	Price / Dividend ratio (Note 4)		33.72	28.11 (Note 7)	-
	Cash dividend yield rate (Note 5)		2.97	3.56 (Note 7)	-

Note 1: The highest and lowest market prices of ordinary shares in each year; the average annual market price is calculated based on the annual turnover and volume.

Note 2: Based on the number of shares issued as of the end of the year, and in accordance with the resolution of the annual shareholders' meeting on earnings distribution.

Note 3: Price / Earnings ratio = average closing price per share for the year / earnings per share

Note 4: Price / Dividend ratio = average closing price per share for the year / cash dividend per share.

Note 5: Cash dividend yield rate = cash dividend per share / average closing price per share for the year

Note 6: As of the date of publication of the annual report, the information hasn't been CPA audited or reviewed.

Note 7: The 2017 annual earnings distribution has not yet been approved during the shareholders' meeting.

6. Dividend Policy and Implementation Status

(1) The Company is in a stable growth stage. It takes into account the current and future development plans, the investment environment, capital needs and domestic and overseas competitions, as well as the interests of shareholders and other factors in order to maintain a stable and sustainable operation. The Company distributes no less than 60% of the balance of the current annual surplus as dividends, but will not distribute dividends if the accumulated surplus is less than 10% of the paid-in capital. The dividends can be made in cash or stock, and the cash dividend will not be less than 10% of the total dividends.

If there is a surplus in the Company's annual accounts, after paying taxes and making up for the accumulated loss in accordance with the law, 10% will be allocated as the statutory reserve. However, if the statutory reserve has reached the paid-in capital amount of the Company, then no further allocation will be made and a provision or reversal of special reserve will be made from the balance in accordance with the law. If there is a balance of current surplus, it will be combined with accumulated undistributed surplus, and the Board of Directors will propose a surplus distribution motion for the dividend distribution resolution of the shareholders' meeting.

(2) The proposed dividend distribution:

On March 9, 2018, the Board of Directors adopted the proposed cash dividend of NT\$903,199,074 (NT\$6.70 per share) to shareholders, subject to the resolution of the 2018 shareholders' meeting.

(3) Is there any significant change to be made to the dividend policy: No.

7. Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share: There were no bonus shares.

8. Bonuses of Employees, Directors and Supervisors

(1) The percentage or scope of the bonuses of Employees, Directors and Supervisors stipulated in the Articles of Association:

According to the stipulations of the Articles of Association, if there is a profit for the year, the Company shall pay 6% to 8% of it for the employee bonus and not more than 2% for the supervisor bonus. However, if there is still a cumulative loss, an amount to make up for the loss should be retained in advance. The aforesaid employee bonus shall be paid in shares or cash, and shall be approved by a board meeting with the attendance of more than two-thirds of the directors and the consent of more than half of the attending directors, and then be reported to the shareholders' meeting.

(2) The basis for the estimation of the amount of bonus of employees, directors and supervisors in the current period, and the accounting treatment if there is a difference between the actual employee bonus paid in shares or cash and the estimated amount: If there is a discrepancy between the estimated number and the actual amount in the resolution of the Board of Directors, it will recognize as profit and loss for the next year.

(3) Bonus distribution as passed by the board meeting:

A. Bonus of employees, directors and supervisors paid in shares or cash:

Employee bonus: cash NT\$127,469,942; share distribution: nil.

Bonus for directors and supervisors: NT\$31,867,485.

B. Employee bonus paid in shares as a percentage of the total amount of the current net profit after tax and the total employee bonus: NA.

(4) If there is a difference between the actual distribution of bonus of employees, directors and supervisors (including the number of shares, the amount and the share price) in the previous year and the provision for the bonus, please describe the difference, the reason and the accounting treatment:

There was no difference between the amount of the bonus of employees, directors and supervisors in the resolution of the shareholders' meeting in 2017 and the amount proposed in the board meeting.

There is no discrepancy between the actual remuneration paid to employees, directors and supervisors in 2017 and the amount in the resolution of the Board of Directors.

9. Buyback of Treasury Stock

March 31, 2018

Treasury stocks: Batch Order	2nd Trench
Purpose of buy-back	Share distribution to employees
Timeframe of buy-back	January 4, 2017 ~ March 3, 2017
Price range	118.00 ~ 349.50
Class, quantity of shares bought back	508,000 ordinary shares
Value of shares bought-back (in NT\$ thousands)	NT\$91,061,773
Shares sold/transferred	Nil
Accumulated number of company shares held	508,000 shares
Percentage of total company shares held (%)	0.38%

10. Corporate Bond

(1) Corporate bond status

Corporate bond type (Note 2)		First domestic unsecured convertible corporate bond (Note 5)
Issuing (processing) date		August 26, 2015
Face value		NT\$100,000
Place of issuance and trading (Note 3)		Not applicable.
Issuing price		100% of the face value
Total amount		NT\$1 billion
Interest rate		Coupon rate 0%
Duration		Three years; maturity date: August 26, 2018
Assurance agency		Not applicable
Trustee		Hua Nan Commercial Bank
Underwriter		Yuanta Securities
Attorney		Not applicable
Accountant		Not applicable
Repayment method		In addition to conversion or redemption in accordance with the conversion method, a bullet payment will be made in cash on the maturity date
Outstanding principal amount		NT\$172,100,000 (as of December 31, 2017)
Terms of redemption or early repayment		Please refer to the issuing and conversion method.
Restrictions (Note 4)		Nil
Credit rating agency, date of assessment and corporate bond assessment results		Nil
Other rights	As of the date of publication of the annual report, the amount of conversion (or exchange or subscription) into ordinary shares, overseas depositary receipts or other securities	From the issuing date to December 31, 2017, the creditors filed for a conversion into 4,986,020 ordinary shares of the Company, and the change of registration was completed on March 16, 2018.
	Issuing and conversion (or exchange or subscription) method	Please refer to the issuing and conversion method.
Possible impact of the issuance and conversion (or exchange or subscription) method or issuing conditions on the dilution of equity and existing shareholders' rights		NT\$1 billion was raised through the issuance of the convertible corporate bond. Due to the debt nature of the convertible corporate bond, there is no equity dilution before the creditors request a conversion. Besides, as the creditors will choose a more favorable time for the conversion during the conversion period, there is a deferred effect on equity dilution, and the conversion will not have an immediate impact on the Company's operating rights and earnings per share.
Custodian of the subject after conversion		Not applicable

Note 1: The corporate bonds being processed include public and private corporate bonds being processed. The public corporate bonds being processed refer to those already approved by the SFC, and the private corporate bonds being processed refer to those already approved by the Board of Directors.

Note 2: The number of fields is adjusted based on the actual number of processing.

Note 3: For overseas corporate bonds.

Note 4: For example, restrictions on the payment of cash dividends, foreign investment or the requirement to maintain a certain proportion of assets.

Note 5: For a private issue, please mark in a noticeable manner.

Note 6: For convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under a general declaration or corporate bonds with subscription rights attached, please disclose in the table according to their nature the information of the convertible corporate bonds, exchangeable corporate bonds or corporate bonds with subscription rights attached, or the status of the corporate bonds issued under a general declaration.

(2) Information about the convertible corporate bond

Corporate bond type		First domestic unsecured convertible corporate bond	
Year		2017	Current year as of March 31, 2018
Item			
Market price of the convertible corporate bond	Highest	131.50	162.00
	Lowest	107.10	121.50
	Average	118.35	143.81
Conversion price		NT\$160.6 (Note 2)	
Issuing (processing) date and the conversion price at the time of issuance		August 26, 2015 NT\$170.5	
Conversion method (Note 1)		New share issuance	

Note 1: Delivery of issued shares or issuance of new shares.

Note 2: As the cash dividend of the Company's ordinary shares in 2017 exceeded 1.5% of the share's market price, a conversion price adjustment was made in accordance with Article 11 of the Company's First Unsecured Convertible Corporate Bond Issuance and Conversion Method. From July 17, 2017, the conversion price is adjusted to NT\$160.6.

11. Preferred Shares: Nil.

12. Overseas Depositary Receipts: Nil.

13. Employee Stock Options: Nil.

14. Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares: Nil.

15. Financing Plans and Implementation:

First domestic unsecured convertible corporate bond

(1) Plan content:

- i. Approval date and number of the competent authority: July 29, 2015, Reference No. Jin-Guan-Cheng-Fa No. 1040027799
- ii. Total amount required for the plan: NT\$1,391,726 thousand.
- iii. Source of funds:
NT\$1 billion from the issuance of the first domestic unsecured convertible corporate bond with a three-year duration and a 0% interest rate. The rest of the amount is paid from the Company's own funds of NT\$391,726 thousand.

iv. Capital plan and progress

Unit: NT\$1,000

Project	Expected completion date	Total amount required	Capital plan							
			2014	2015				2016		
			Q2-Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Plant construction	Q3 2016	997,226	79,790	65,509	64,341	191,957	303,425	227,142	64,974	88
Purchase of machinery and equipment	Q1 2016	44,500	—	—	—	—	22,250	22,250	—	—
Replenishment of working capital	Q3 2015	350,000	—	—	—	350,000	—	—	—	—
Total		1,391,726	79,790	65,509	64,341	541,957	325,675	249,392	64,974	88

v. Possible benefits:

i. Plant construction and purchase of machinery and equipment

The plant construction plan will increase the use of space and the production volume as well as enhance the overall capacity and sales, and is beneficial for the Company's future operation and development. It is expected to increase the production and sales volumes, the sales amount, the gross profit and the net operating profit as follows:

Unit: NT\$1,000

Year	Item	Production volume	Sales volume	Sales amount	Operating margin	Operating profit
2016	Health care products	45	45	11,850	6,660	4,378
2017		180	180	47,400	26,639	17,509
2018		180	180	47,400	26,639	17,509
2019		180	180	47,400	26,639	17,509

ii. Replenishment of working capital

NT\$350,000,000 of the funds raised from the plan is expected to be used for replenishment of working capital, mainly for future operations requirements. Based on the Company's short-term bank lending rate of about 1.25%, the estimated annual savings on interest expenses is about NT\$4,375,000.

(2) Implementation status:

Unit: NT\$ thousand

Planned item	Implementation status		As of Dec 31, 2017
	Plant construction and purchase of machinery and equipment	Amount	Planned
Actual			1,041,726
Implementation status (%)		Planned	100.00%
		Actual	100.00%
Replenishment of working capital	Amount	Planned	350,000
		Actual	350,000
	Implementation status (%)	Planned	100.00%
		Actual	100.00%
Total	Amount	Planned	1,391,726
		Actual	1,391,726
	Implementation status (%)	Planned	100.00%
		Actual	100.00%

As of December 31, 2017, the actual implementation of the plan is 100%. Among the planned items, the Pingzhen plant was completed and the relocation was made in the third quarter of 2016. On the purchase of machinery and equipment, all the machine installation, testing and acceptance were completed in the third quarter of 2016, and mass production started in the fourth quarter. The replenishment of working capital was also completed in the first quarter of 2016. For the items above, there is no major difference between the planned and the actual benefits.

1. Business Scope:**(1) Business scope****i. Main businesses:**

- (i) Processing and trading of fruits, vegetables, seafood, meats, cereals, starch food, fruit and vegetable juice, yeast milk, soft drinks and other beverages, food additives, condiments, coffee flavoring essence and syrups, and other syrups
- (ii) Processing and trading of pharmaceutical preparations, medicine and raw materials.
- (iii) Wholesale and retail of medical equipment and daily necessities.
- (iv) Manufacturing and trading of makeup and cleaning supplies
- (v) Manufacturing and trading of edible oils and dairy products
- (vi) Import and export of and agent role of the aforesaid businesses
- (vii) H701010 Residential and commercial building development and rental
- (viii) C110010 Beverage manufacturing
- (ix) F501030 Beverage shop operation
- (x) C199990 Manufacturing of unclassified food products (Ganoderma King, Cordyceps King, Pollen King, Cordyceps and Ganoderma, and Ganoderma King Compound)
- (xi) F102030 Wholesale of tobacco and alcohol
- (xii) F203020 Retail of tobacco and alcohol
- (xiii) I401010 General advertising services
- (xiv) JE01010 Leasing
- (xv) IZ12010 Human resources dispatch
- (xvi) A101040 Edible mushroom cultivation
- (xvii) A101030 Special crop cultivation
- (xviii) A101050 Flower cultivation
- (xix) IG01010 Biotechnology services
- (xx) F401171 Alcohol import
- (xxi) F107080 Wholesale of environmental medicine related products
- (xxii) F207080 Retail of environmental medicine related products
- (xxiii) C802080 Manufacturing of environmental medicine related products
- (xxiv) H703100 Real estate leasing
- (xxv) F601010 Intellectual property rights related business
- (xxvi) I101090 Food consultancy
- (xxvii) C201020 Pet food manufacturing
- (xxviii) F106060 Wholesale of pet food and supplies
- (xxix) F206050 Retail of pet food and supplies
- (xxx) ZZ99999 In addition to the permitted businesses, the Company may be engaged in non-prohibited or non-restricted businesses.

ii. Business weighting:

Unit: NT\$ thousand; %

Product Type	Amount	Percentage
Health food	8,031,180	85
OEM	927,279	10
Beverage	239,809	3
Others	189,860	2
Total	9,388,128	100

iii. The company's current products:

The manufacturing and trading of health care products, beverages, etc.

iv. The new products to be developed in 2018:

In response to the market growth of probiotics and bone-and-joint products, this year the Company plans to launch "Probiotic King Powder" and "Bone and Joint King" which meets joint and bone maintenance needs. Pro Partner also expects to launch two new healthcare products for body shape maintenance and blood glucose control.

On the other hand, with the opening of the sightseeing factory in 2017, the Company hopes to promote the concept of health care to the public's daily diet. This year, the Company will launch health-concept food such as "Antrodia Filter Coffee" which has a health care appeal and "Beauty & Bright QQ" for women's beauty.

(2) Industry overview

i. Industry status and development

In order to strengthen the global competitiveness of Taiwan's biotechnology and pharmaceutical industry and accelerate industrial upgrading and transformation, the government has designated biotech medicine as a key industry in the promotion of the "5+2" Innovation and R&D Industrial Plan. Meanwhile, the Executive Yuan has approved the "Biomedical Industry Innovation Promotion Project", with "complete ecological system", "gathering of integration and innovation", "links to international market resources" and "promotion of key industries with special features" as the four main pillars to promote the bio-tech and pharmaceutical industry as the new engine to boost Taiwan's economic development, and simultaneously drive industry innovation. The government has completed the legislation of the "New Biotech Drug Industry Development Regulations", and built a quality development environment for the biotechnology industry. The Ministry of Economic Affairs, in line with the promotion of various biotechnology policies, is strengthening the commercialization of R&D results, and has completed the development strategy in the fields of pharmaceuticals, medical equipment and health and well-being, so as to improve the capability of Taiwan's biotech industry in terms of innovation, industrialization and global deployment, and accelerate the internationalization of Taiwan's biotechnology industry.

With the efforts of the Government and the private sector over the years, Taiwan's biotechnology industry scale continues to expand. In 2015, the turnover of the biotechnology

industry reached NT\$315 billion, and the private sector's investment in biotechnology was more than NT\$50.95 billion, up 5.5% from 2015 and the investment was large-scale projects oriented. The export value grew from NT\$117.7 billion in 2015 to NT\$129.5 billion in 2016, and the value of imports also increased from NT\$224.1 billion in 2015 to NT\$236.2 billion in 2016. The increase in both turnover and import value drove the growth of the domestic market, and in 2016, the domestic demand for biotechnology products reached NT\$422 billion.

With the enhancement of income and westernization of dining habits, there has been a transition from insufficient intake of nutrition to excessive and unbalanced intake, making people face the risk of diseases from high blood sugar, high blood pressure and high blood fat. For disease prevention, the purchase of functional or health care products has become a trend which promotes the rapid growth of the health food market. The application of biotechnology to extract nutrients or active ingredients from natural animals, plants and microorganisms to develop health care products can not only meet the health care needs of modern citizens, but can increase the added value of products and create higher profits.

As health care products have high added values, and different health care products can be offered to meet the needs of different groups of customers, they can easily form a separate market segment and attract manufacturers in the food, biotechnology and drug industries to invest in the development. Even upstream dealers of food ingredients or direct marketing/marketing companies are optimistic about the rapid growth of the health food market, and are investing in the development of health care products. Taiwan's health food market demand continues to increase, and according to the survey of the Biotech Pharmaceutical Industry Development Promotion Group of the Ministry of Economic Affairs, the turnover of Taiwan's biotechnological food industry in 2016 was nearly NT\$62 billion. The value of imports increased from NT\$8.7 billion in 2015 to NT\$10.2 billion in 2016, representing a growth of about 17.2%, and the value of exports increased from NT\$9.18 billion in 2015 to NT\$10.42 million in 2016, representing a growth of 13.55%. In view of the large volume of foreign health food imports, domestic health food manufacturers have taken a localization strategy to incorporate the resources of research institutions to jointly develop Taiwan's local health care ingredients for their products. This can not only reduce the price fluctuation impact of foreign resources, but because of the use of local health care ingredients, the products are easy to be accepted by the local people, and can form a separate market segment from the international market.

With the "Health Food Management Law" published, health food is differentiated from general food. In addition, the Department of Health of the Executive Yuan announced the effectiveness assessment of health care products to serve as a basis for manufacturers' application for health food product reviews. At present, the health food safety assessment items announced by the Department of Health of the Executive Yuan include 13 items: the regulation of blood fat, regulation of blood sugar, allergy adjustment, immunity improvement, anti-formation of body fat, fatigue resistance, bone care, aging resistance, gastrointestinal function improvement, liver protection, dental care, regulation of blood pressure and promotion of iron absorption. The

Department has also established health food standards for products such as monascus and fish oil.

On the direct marketing side, as of the end of 2016, the number of multi-level marketing companies reporting to the Fair Trade Commission was 338, of which local companies accounted for about 85.21%, and foreign companies accounted for only 14.79%. In 2016, the total number of participants in direct marketing in Taiwan was 2.76 million, and the total turnover of the multi-level marketing industry was NT\$88.12 billion. The main products of the multi-level marketing industry are still nutrition and health care products and beauty care products, followed by daily necessities. This situation has not changed for years. However, with the vigorous development of community media and the popularity of smart phones, the multi-level marketing industry is gradually transitioning from physical sales to virtual network. For this reason, more and more multi-level marketing companies have gradually abandoned the traditional sales model of "people to people and word of mouth marketing" used in the past, and shifted to internet and community media marketing. This enables an organization to pass on information more quickly, and strengthens the connectivity between the internal distributors of an organization and external distributors, and between consumers and distributors. It is also more conducive to the promotion of products and business.

ii. Relationship among the industry's up, mid and down streams

Upstream: material development, formula development and upgrading

Midstream: manufacturing

Downstream: distribution channels, including the traditional physical stores (such as discount stores, beauty shops and supermarket chains), virtual channels such as online shopping malls or TV shopping, and direct marketing channels.

The Company has a complete industry chain. The upstream is the core manufacturing technology of microbial fermentation which is used to develop key ingredients such as lactic acid bacteria, *Ganoderma lucidum* and *Antrodia mycelium*. The midstream is the preparation and packaging capability, and the downstream is the Company's own distribution channels and brands. Therefore, the Company can make a flexible response to the overall industry change and continue to win consumer favor and trust.

iii. Product development trends

- (i) Immunoregulation is the focus of the Company's development of health care products, and *Ganoderma lucidum* related products have obtained the health food certification of the Department of Health.
- (ii) Lactic acid bacteria products have become one of the most popular intestinal health products in recent years. The lactic acid bacteria products of the Company are not only rich in bacteria, but are very popular with consumers. They also obtained health food certification numbers, and have the two functions of gastrointestinal function improvement and allergy adjustment.

- (iii) For Taiwan's common liver diseases, the Company developed health care products such as Antrodia King and Antrodia Aqua has obtained a health food certification number from the Department of Health for liver protection and blood pressure regulation functions).
- (iv) For the aging society, the Company developed health care products for the silver-haired group for delay of aging and prevention of Alzheimer's disease.
- (v) The Company developed ergot sulfide beauty drinks and facial masks with a strong anti oxidative ability.
- (vi) For the different health needs of men and women, the Company developed energy drinks for men and beauty drinks for women.
- (vii) Develop and add precious plant extracts that protect the eyes and provide essential healthcare foods for 3C users.

iv. Competition

(i) Product competition:

- A. With the expansion of the domestic health food market, domestic Chinese and western pharmaceutical manufacturers and biotech companies have also stepped into the health food market, and grown quickly with their name recognition and existing technology in the pharmaceutical industry.
- B. With their policy changes, some foreign governments have allowed the sales of health care products in foreign countries which were originally for domestic sales only. Because of the citizens' infatuation with overseas brands, the participation of overseas health care brands will make the competition keener.
- C. On the direct marketing side, the increasing output value of the multi-level marketing industry year after year reflects the high potential of the direct marketing channel. However, the greater the output value, the higher the attractiveness for more enterprises to transform into multi-level marketing companies, and the more foreign multi-level marketing companies will enter the Taiwan market for market shares. The degree of competition is therefore increasing every year.

(ii) Channel competition:

With the change of market demand and consumption habits, health care products and beauty care products can be seen not only in the roadside open-shelf drug stores, suburban discount stores and existing multi-level marketing channels, but also in convenience stores around the corner. This accessibility has offered more options to consumers. Therefore, how to enhance product uniqueness, attract the attention of consumers and provide better after-sales service are the matters which require careful consideration.

(3) Overview of Technology and R&D

- i. Hericium mycelium fermentation technology: The 40 ton-liquid fermentation technology is now mature.
- ii. Lactic acid bacteria recovery technology: The continuous centrifugal technology in the recovery of

- lactic acid bacteria was developed, and the first domestic liquid nitrogen process was completed.
- iii. The anti-aging Hericium health care product was developed and launched.
- iv. Awards won:
- (i) [Bai Ke Sz Capsules, Beauty Drink, Lutein Complex Capsules and Pro-Partner Neuro-trition] won the SNQ National Quality Badge.
 - (ii) [The Cicadae fermentation Mycelium] won the 14th National Innovation Award.
 - (iii) [Cultivation method for preventing rapid degradation of erinacine a during fermentation of Hericium Erinaceus mycelium] won a gold medal in the 2017 International Trade Fair “ideas, Inventions, New products” at Nuremberg (iENA2017).
 - (iv) [A pharmaceutical or food composition of Antrodia Cinnamomea extract reducing drug – resistance in cancer cells.] was awarded a gold medal in the 2017 International Trade Fair “ideas, Inventions, New products” at Nuremberg (iENA2017).
 - (v) [Cordyceps cicadae mycelium active substances, preparation method, pharmaceutical composition and application thereof] was awarded a Gold Medal and Special Award at INPEX 2017.
 - (vi) "Cultivation method for preventing rapid degradation of erinacine A during fermentation of Hericium erinaceus mycelium" was awarded a Silver Medal at INPEX 2017.
 - (vii) Cordyceps patent [Cordyceps cicadae mycelia for the amelioration of dry eye] was awarded Gold medal and Special awards at the 2017 New Exhibition of Inventions in Geneva, Switzerland.
 - (viii) Hericium erinaceus patent [A novel compound, erinacine S, isolated from the mycelia of Hericium Erinaceus for pain treatment] was awarded Bronze Award at the 2017 New Exhibition of Inventions in Geneva, Switzerland.
 - (ix) Cordyceps patent [Cordyceps cicadae mycelia for the amelioration of dry eye] was awarded a Gold Medal at 2017 Shanghai International Invention Exhibition.
 - (x) Hericium erinaceus patent [A novel compound, erinacine S, isolated from the mycelia of Hericium Erinaceus for pain treatment] was awarded a Silver medal award at 2017 Shanghai International Invention Exhibition.
 - (xi) [Antrodia cinnamomea mycelium for improving nonalcoholic steatohepatitis (NASH)] was awarded gold prize and special award in the 2017 Seoul International Invention Fair Korea.
 - (xii) [Cordyceps cicadae mycelium for preventing, delaying and treating cataract] was awarded silver prize in the 2017 Seoul International Invention Fair Korea.
 - (xiii) [Hericium erinaceus for preventing age-related hearing loss] was awarded bronze prize in the 2017 Seoul International Invention Fair Korea.
 - (xiv) [Probiotic encapsulation technology significantly improves the survival of probiotic cells in intestinal tract] was awarded gold medal in the 2017 8th IIC International Innovation and Invention Competition.

- (xv) [Manipulation of Erinacine A which can ameliorate age by submerged fermentation of Herivine erinaceus mycelium] was awarded gold medal in the 2017 8th IIC International Innovation and Invention Competition.
 - (xvi) [Discovery of anti-UV composed in Lepista nuda mycelium-Ergothioneine] was awarded silver medal in the 2017 8th IIC International Innovation and Invention Competition.
 - (xvii) [Cordyceps cicadae mycelium active substances, preparation method, pharmaceutical composition, and application thereof] was awarded 1 silver medal at 2017 Taipei International Invention Show& Technomart.
 - (xviii) "[The heripene, the active substance of the mycelium of Hericium erinaceus for decreasing the pain, the producing method and the pharmaceutical composition thereof] was awarded 1 silver medal at 2017 Taipei International Invention Show& Technomart.
 - (xix) [Snow Brightening Essential Drink] won the "Innovative Product Concept Award" by the Taiwan Food Science and Technology Society.
 - (xx) [Super 13 Pro&Prebiotics] won the Innovation Product Award of the Taiwan Lactic Acid Bacteria Association
 - (xxi) [Grape King Marigold Lutein QQ for Kid] won the Innovative Product Concept Award from the Taiwan Association for Food Science and Technology.
- v. Patents obtained in the past five years:

Approving Country	Patent Name	Date	Patent No.
ROC	An Embedding Structure of Hericium Erinaceus Mycelium with Neuroprotective Function	2014.12.11	M491474
ROC	An Active Substance of Antrodia Camphorata Mycelium and an Active Substance of Cordyceps Militaris which Promotes the Proliferation of Hepatocytes, and Their Preparation and Use	2014.12.21	I465260
ROC	A Cultivation Method for Preventing Rapid Degradation of Hericium Erinaceus A During the Fermentation of Hericium Erinaceus Mycelium	2016.01.11	I 516598
ROC	A Method for Preparing Fermentation Broth of Lepista Nuda Mycelium with Anti-UVA Function	2016.02.11	I 521059
ROC	An Embedded Granule of Lactobacillus Coated with Antrodia Camphorata Mycelium	2016.07.01	M524710
ROC	An Embedded Granule of Lactobacillus Coated with Cordyceps Militaris Mycelium	2016.07.01	M524709
ROC	An Embedded Granule of Lactobacillus Coated with Hericium Erinaceus Mycelium	2016.07.01	M524708
ROC	An Embedded Granule of Lactobacillus Coated with Hericium Erinaceus Mycelium	2016.07.01	M524707

Approving Country	Patent Name	Date	Patent No.
ROC	An Embedded Granule of Lactobacillus Coated with Agaricus Blazei Mycelium	2016.07.01	M524706
ROC	An Embedded Granule of Lactobacillus Coated with Monascus Mycelium	2016.07.01	M524705
ROC	An Embedded Granule of Lactobacillus Coated with Cordyceps Sinensis Mycelium	2016.07.01	M524704
ROC	An Embedded Granule of Lactobacillus Coated with Antrodia Camphorate Polysaccharide	2016.07.01	M526395
ROC	An Embedded Granule of Lactobacillus Coated with Antrodia Camphorate Protein	2016.07.01	M526396
ROC	An Embedded Granule of Lactobacillus Coated with Cicada Mycelium	2016.07.01	M526397
ROC	An Embedded Granule of Lactobacillus Coated with Ganoderma Lucidum Mycelium	2016.07.01	M526398
ROC	An Embedded Granule of Lactobacillus Coated with Armillaria Mellea Mycelium	2016.07.01	M526399
ROC	An Active Substance of Cicada Mycelium for Protecting Nerve Cells and Its Food Compounds	2016.09.21	I549684
ROC	An Active Substance of Antrodia Camphorate for Reducing Drug Resistance of Cancer Cells and Its Compounds	2016.10.01	I551291
ROC	The Active Substance of Antrodia Camphorate Mycelium, Its Preparation Method, Pharmaceutical Compounds and Use	2016.10.11	I552755
ROC	The Active Substance of Cicada Mycelium, Its Preparation Method, Pharmaceutical Compounds and Use	2016.11.21	I558405
ROC	The Active Substance of Hericium Erinaceus and Its Mycelium for Alleviating Pains, Its Preparation Method and Pharmaceutical Compounds	2016.12.01	I560273
ROC	The Active Substance of Antrodia Camphorate Mycelium for Protecting Nerve Cells, and Its Pharmaceutical Compounds	2016.12.21	I562782
ROC	Probiotic-Embedded Particles	Jun 21, 2017	I587863
China	Particles with Lactobacillus Embedded by Mycelium of Hericium Erinaceus Which Can Improve the Nerve Growth-Factor	Jun 6, 2017	ZL 201620459984.4
ROC	An Active Substance for Preventing Hearing Loss, Its Method for Preparation, Pharmaceutical Compounds and the Method for Preparing the Pharmaceutical Compound	Aug 21, 2017	I595880
ROC	Method for Producing Purified Maleic Acid Derivatives with High-Performance Centrifugal Chromatography	Sep 11, 2017	I598332

Approving Country	Patent Name	Date	Patent No.
ROC	The Active Substance of Cicada for Promoting Hepatocyte Proliferation	Oct 11, 2017	I601824
ROC	An Active Substance for Treating Dementia, Its Preparation Method, Pharmaceutical Compound and Preparation Method	Nov 21, 2017	I605819

vi. New products developed in the past five years:

Ganoderma for Kids, Glucosamine King (Bottle), Marigold Lutein Complex, Ginseng-Clam Plus B, PowerBOMB, Tian Qi Ling Zhi Essential Drink, Imperial Collagen Essence, IQ King, LGG Probiotics, Gold Cordyceps King, Coriolus Versicolor King, Tian Qi Maca Essential Drink, Snow Brightening Essential Drink, Ling ZhiAntiallergy, PuerariaMirifica Queen, Slim Turmeric Complex, Marigold Lutein QQ for Kids, Fu Ba Xin Capsule, Super 13 Pro&Prebiotics, Probiotics flavor cream roll, Blaze mushroom cookies, Versicolor health snack, GoldCombest Energy Drink, Combest ice cream.

vii. R&D Expenses in the past three years

Unit: NT\$ thousand

Year	2015	2016	2017
Amount	98,681	114,032	159,663

(4) Long-term and Short-term Development

With the continuous stimulation of market sales incentives, consumer spending habits change year by year, and the existing distribution channels are bound to face difficulties and the development is limited. For the sustainable development of the business, the short and long-term business directions are mainly on new channels and the development of new products to meet consumer demands better and expand the consumer base for performance growth. The product and channel planning is as follows:

i. Short-term business development

(i) Short-term product planning: :

With the goal of "being a health expert to take care of the whole family" as the product planning purpose, in addition to long-term preventive and healthcare products, this year the Company will use its advanced technology and innovative R&D technology to upgrade its popular product Probiotic King as well as seven new high-quality live bacteria and Compound Probiotics. With this division of labor, the effect is enhanced, and the Company is positioned as a "probiotic expert" to maintain the health of the family. In addition, the Company keeps meeting the whole family's healthcare needs by launching the "Slim Turmeric Complex", which is especially designed for the female population for weight control purposes, and Ling ZhiAntiallergy, which is designed for the allergy problems caused by the increasingly serious air pollution, and has won the national healthcare food anti-allergy certification.

(ii) Short-term channel planning: :

In terms of sales channel planning, the Company continues to maintain existing customers, enhance services to improve customer satisfaction, and introduce big data in digital marketing

to accurately communicate with and identify customers so as to meet target groups' needs, attract more new customers, expand consumer groups in terms of their ages, increase consumer convenience, and create more diversified healthcare opportunities.

ii. Long-term business development

(i) Long-term product plan:

In response to the diversity of consumer health care requirements, we have planned the implementation, application and development of health food certification to comply with the regulatory requirements on the sales of products. In addition to the existing gastrointestinal, immunoregulatory, liver protecting, blood glucose regulating, blood pressure reducing, anti-fatigue and anti-allergy products, we will add weight management, age-delaying and other functional products to expand our product function range as the long-term product plan to expand the consumer base.

(ii) Long-term channel plan:

Due to the strong demand for healthcare and disease prevention in China driven by its economic growth, the health industry has continued to flourish in recent years. It is estimated that by 2020 the sales of China's healthcare product market will exceed RMB150 billion, and the Company has also proactively deployed in the mainland healthcare product market. The Company uses the business model of cross-border internet marketing together with offline pharmacy O2O to provide overseas high-quality healthcare product operations. In order to play in full the advantage of local business development, in the future the Company plans to launch its products in Dongguan Songshan Lake through online and offline sales, in the hope of achieving the same level of success it has attained in Taiwan.

2. Market and Sales Overview:

(1) Market analysis

i. Main product sales area: Metropolitan areas of Taiwan Island.

ii. Market share:

The Company's *Ganoderma lucidum* and *Antrodia camphorate* products have been the leading brands over the years with a market share of more than 50% respectively. While there are other competing products, with our brand name recognition we are able to maintain a substantial market share. On the direct marketing side, the sales volume of the Company's direct marketing affiliates reached NT\$8.169 billion in 2016, accounting for 9.27% of the total multi-level marketing market's NT\$88.121 billion.

iii. Future market supply and demand and growth:

The Company spares no effort in the development of new products to meet the health needs of the people. We apply accurate marketing strategies, supplemented by distribution channels which are familiar with the market, to introduce a variety of new products to continue the growth of our business.

iv. Favorable and unfavorable factors for development and countermeasures

(i) Favorable and unfavorable factors for development:

Favorable Factors	Unfavorable Factors
<p>Health food industry</p> <ol style="list-style-type: none"> 1. Because of an aging population, the demand for health care products will increase year by year, and is not affected by the financial turmoil. 2. The Company set up its biological center in 1991 and had an early start. As the hardware and software have matured, the Company is stepping into the development of key components to improve profitability and raise the entry barrier. 3. The Company's products such as <i>Ganoderma lucidum</i> and <i>Antrodia camphorata</i>, have been selected as those with high entry barriers for world-class manufacturers, etc. The Company therefore has an advantage in international competition. 4. The Government provides NT\$10 billion per year to support the biotechnology industry, and the industry outlook is promising. 	<p>Health food industry</p> <ol style="list-style-type: none"> 1. The implementation of the Health Food Law raises the cost of product research and development and increases operational difficulties. However, in the long run this can phase out the weak and only the strong will stay, and professional manufacturers will be protected as a result. 2. With the continuing economic downturn, non-daily necessities such as health food have been bearing the brunt, and people's willingness to purchase has declined. This has impacted sales.
<p>Food and beverage industry</p> <ol style="list-style-type: none"> 1. Taiwan has a warm weather, and the demand for beverage is strong. 2. With the development of the economy, the national income level is improving, and people are paying more attention to the quality of life and leisure activities. With the expansion of consumption, beverage demand has improved, and there is a great potential in the development of the beverage market. 	<p>Food and beverage industry</p> <ol style="list-style-type: none"> 1. Government will significantly reduce import tariffs in order to join the WTO, and there will be more imported goods. In the future, the competition in the beverage market will be high. 2. Beverage manufacturers like to swarm into a particular type of beverage, and the price competition will lower the profit. 3. The product homogeneity of beverages is high, and the market competition is keen. In order to maintain the consumer's recognition of the brand and purchase intent, advertising expenses have to increase significantly.
<p>Pharmaceutical Industry:</p> <ol style="list-style-type: none"> 1. The pharmaceutical industry is one of the top ten emerging industries of the country, and a key industry promoted and supported by the Government. 2. As the population is aging and the living standards are improving, health issues are attracting more attention and the demand for drugs is increasing. Therefore, the size of the drug market is expanding. 3. With the rise of health awareness, consumers are more attracted to health and health care related products. 4. The Company was certified by the Department of Health as a "Pharmaceutical Manufacturer Implementing G.M.P" in 1987. The plant management and product quality are affirmed by the industry. 	<p>Pharmaceutical Industry:</p> <ol style="list-style-type: none"> 1. Most consumers prefer foreign original drugs. Though domestic GMP manufacturers produce drugs with the same effect, due to people's medication habits, domestic GMP manufacturers have long been in an inferior competitive position which is disadvantageous to the development of domestic pharmaceutical manufacturers. 2. Large foreign pharmaceutical companies have come to Taiwan to erode the domestic drug market. This is disadvantageous to the development of domestic pharmaceutical manufacturers. 3. At present, there are more than 100 domestic GMP pharmaceutical manufacturers and numerous small manufacturers. There is a fear of vicious competition.

(ii) Countermeasures

The Company adopts a self-sufficient development model in the short run to reduce costs, create differentiation and increase profitability, and a central concept of "continuous R&D" to constantly upgrade the manufacturing process, introduce academic resources, and apply for government subsidies to ensure a leading position in the industry. The Company also increases its R&D expenses year by year, uses technology transfer and industry-academia cooperation to actively develop new products and new effects, and enhances the added value of the products by obtaining patents and health food certifications. The R&D focus is "going clinical and international", that means working with foreign scholars to publish journals and complete clinical trials to prove to foreign buyers the effectiveness of the Company's products or raw materials and raise their interest, so as to enter the international market.

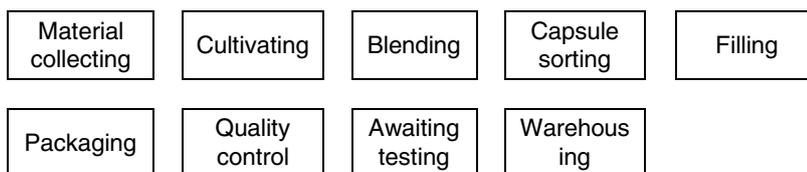
(2) Important usage of the main products and production process

i. Important usage of the main products

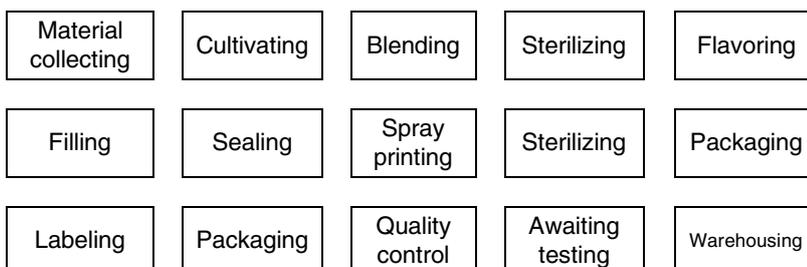
- (i) Probiotics & Prebiotics : The product can change the body's bacterial plexus ecology, maintain the digestive function and adjust the physiological function.
- (ii) Bio Aid 995: The product can provide the necessary nutrients for a balanced body to help maintain good health.
- (iii) Antrodia Aqua: The health drink can balance the body's constitution, and has no side effects on the human body.
- (iv) Meal Supplement: The product can promote the body's metabolism, provide balanced nutrition for growth and help the body regain strength.
- (v) Li Sheng: The product can adjust the body's constitution and promote metabolism.
- (vi) Bai Ke Sz capsule: The product can nourish the body and adjust the body's constitution.

ii. The production process of the main products

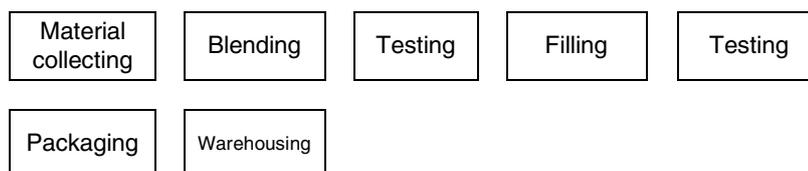
(i) Super 13 Pro & Prebiotics



(ii) Bio Aid 995 and Antrodia Aqua



(iii) Meal Supplement, Li Sheng and Bai Ke Sz capsule



(3) Supply of major raw materials

Main Materials		
Raw Material	Main Source	Status of Supply
Capsule	Domestic manufacturer	Normal
Granulated sugar	Domestic manufacturer	Normal
Vitamins and food additives	Domestic manufacturer	Normal
Alcohol	Domestic manufacturer	Normal
Chinese medicine	Domestic manufacturer	Normal
Lactic acid bacteria	Domestic manufacturer	Normal
Ganoderma lucidum	Domestic manufacturer	Normal
Antrodia camphorata	Domestic manufacturer	Normal
Aluminum foil carton	Foreign manufacturer	Normal
Carton	Domestic manufacturer	Normal
Carton box	Domestic manufacturer	Normal

(4) Names of customers who accounted for more than 10% of the total amount of goods purchased/sold in the past two years, the amounts and percentages of the goods purchased/sold and the reasons for the increase or decrease.

- A. Major suppliers in the past two years: The Company did not have any supplier who accounted for more than 10% of the total goods purchased in the past two years.
- B. Major customers in the past two years: The Company did not have any customer who accounted for more than 10% of the total goods sold in the past two years.

(5) Production in the last two years

Unit: NT\$ thousand

Major product (or department)	2016			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Health food PKL liquid (box)	691,200	437,940	140,559	691,200	398,592	109,958
Health food granules (pack)	74,880,000	146,482,017	166,752	74,880,000	155,507,753	195,405
Health food capsules	90,720,000	128,306,488	216,543	90,720,000	125,796,156	194,863
Health food powder (pack)	19,656,000	22,308,094	128,692	19,656,000	24,017,685	143,907
Health food General liquid (liter)	3,720,000	18,050	11,579	3,720,000	19,721	12,502
Beverage General Liquid (L)	Note 1	2,321,931	128,692	Note 1	2,668,687	123,127
Other (OEM, cosmetics, etc.)			430,415			689,624
Total			1,223,232			1,469,386

Note 1: All general liquid products share the same manufacturing capacity.

Reason for change: the growth of sales volume and value, causing the production volume and value to grow accordingly.

(6) Shipments and sales in the last two years

Unit: NT\$ thousand

Major product	2016				2017			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Health food PKL liquid (box)	422,118	2,228,783			411,801	2,174,309		
Health food granules (pack)	151,500,179	2,888,804			142,313,777	2,718,855		
Health food capsules	127,566,995	1,629,364			124,634,487	1,697,783		
Health food powder (pack)	24,055,923	1,364,584			23,461,857	1,311,245		
Health food general liquid (liter)	17,725	141,802			1,014	162,230		
Beverage general liquid (liter)	2,304,586	202,034			2,487,274	206,491		
Other (OEM products, cosmetics, etc.)		722,807		6,843		1,103,807		13,408
Total		9,178,178		6,843		9,374,720		13,408

Reason for change: As the health food market continued to grow in China and the Company's product quality won consumer recognition, the sales volume and value grew.

3. Employee Information for the Past Two Years and as of the Publication of the Annual Report:

Unit: person; %

Year		2016	2017	2018 as of the date of publication of the Annual Report (March 31, 2018)
Number of employees	Staff	451	482	475
	Technician	73	93	94
	Operator	102	125	117
	Total	626	700	686
Average age		35.25	34.91	35.64
Average service year		4.79	4.6	4.87
Academic distribution	Ph.D.	0.80	0.86	0.88
	Master's degree	9.74	10.57	10.64
	College	60.54	59.14	59.91
	High school	19.33	18.86	18.95
	Below high school	9.59	10.57	9.62

Note: The number of employees is the total number of employees of the Company and its subsidiaries (including contracted and expatriate employees)

4. Environmental Protection Expenditure:

- (1) The Company has two fuel boilers. According to the provisions of the Air Pollution Control Law, they are fixed sources of pollution, and the air pollutant discharge needs to be reported and the air pollution control fee should be paid on a regular basis. In 2017, the total air pollution control fee was NT\$40,693.
- (2) According to the provisions of Article 28 of the Waste Disposal Law, the clean-up of business waste shall be entrusted to a public or private waste disposal agency which is authorized to clean and handle the waste by the competent authority. The Company has entrusted a legitimate waste disposal agency to clean and handle the waste of the Company, and in 2017, the Company paid a total of NT\$3,814,116.
- (3) According to the provisions of Article 11 of the Water Pollution Control Law, for a business, a sewer system or a household which discharges waste (sewage) water on the ground, a water pollution prevention and control fee shall be paid according to the quality and volume of its discharged water, or according to the quality and volume of discharged water approved by the central competent authority. In 2017, the Company paid a total of NT\$15,308.
- (4) The Company paid a total of NT\$12,502,647 for waste water treatment in 2017.
- (5) The Company did not suffer from any loss or penalty due to environmental pollution in 2017 and as of the date of publication of the annual report.

5. Labor Relations:

- (1) Employee welfare:

The Company adopts a dual welfare system (dual welfare from the Company itself and the Welfare Committee). To ensure that the remuneration and welfare system is superior to the industry standard, the Company has actively adopted various management systems, such as the

performance and target management system to effectively distinguish between the superior and inferior employees, so as to make the performance assessment fair and transparent. The Company also set up a merit and demerit bonus weighting system to effectively encourage employees to set high standards for themselves and exceed the goals set for them. The Company also introduced a reward and punishment system and a model employee system to create a positive influence through excellent employees and create a sense of honor. The welfare items are summarized as follows:

List of Welfare Items			
Year-end bonus	Festival gifts	Uniform and free cleaning	Salary account remittance fee discount
Employee compensation	Wedding cash gift	Shopping privilege	Parking facilities
Group insurance	Funeral solatium	Scholarship	Health center, breast feeding room
Employee dependency Insurance	Child birth cash gift	Scholarship for children	Employee travel
Travel insurance	Hospital solatium	Designated store discount	Retirement program
New staff health check	Birthday cash gift	Model employee selection	Meal subsidies
Regular staff health check	Year-end activity or cash gift	Dragon Boat Festival Cash gift	Mid-Autumn Festival Cash gift

(2) Staff advanced study and training:

In order to implement the Company's training policy of "adhering to quality system training and developing not just the business but the careers of the employees as well", the Company continues to cultivate talents, actively introduced the TTQS system (a quality management system for talent development), and encourages employees to participate in various learning opportunities to form a good learning atmosphere within the organization.

i. Training performance over the years:

- (i) The employees are encouraged to participate in relevant training courses organized by domestic and foreign government agencies and civil organizations to acquire the latest information and market trends.
- (ii) The Company combined government resources to develop training courses, and actively cultivated the employees for diversified talent development.
- (iii) The Company conducted orientation training to newcomers, and the training content included a description of the Company's business philosophy, operations, organizational structure, products and services, code of conduct, business confidentiality, personal data protection, internal rules and regulations, as well as an introduction to the information environment, labor safety, food safety, work content and work environment.
- (iv) Through regular access to the "GPS Navigation - Seeing the Technology of Grape King" each quarter, the staff will be able to understand more about the Company's operations and related hardware and software equipment and environment, so as to build staff loyalty.
- (v) The Company actively invited professional lecturers from domestic and foreign academic or

educational institutions to make thematic speeches. Through a variety of interactive activities, the employees could absorb new knowledge and exchange technical know-how.

ii. Analysis of training performance over the years:

Item \ Year	2016	2017	2018 as of the date of publication of the Annual Report (March 31, 2018)
Average no. of external training hours per month	224	263	317
Average no. of internal training hours per month	317	294	167
Average no. of employees receiving external training per month	20	21	20
Average no. of employees receiving internal training per month	136	148	93
Total annual training hours	6,489	6,687	1,452.5
Total no. of employees receiving training during the year	1,867	2,034	340
Annual training penetration rate (%)	89%	93%	42%

(3) Retirement system and its implementation:

The Company has formulated a staff retirement scheme in accordance with the Employee Retirement Measures of the Labor Law, and will fund a dedicated account on a monthly basis for such use in accordance with the provisions of the Employee Retirement Fund Provision and Management Measures. Employees who have served the Company for more than 15 years and are 55 years of age or older, or who have served the Company for more than 25 years, or who have served the Company for more than 10 years and are 60 years of age or older are entitled to retirement applications. The Company will give a multiplier of 2 for every year of service, but for a service of more than 15 years, after the 15th year a multiplier of 1 will be given for every year of service, with the highest total of 45. A service of less than half a year will be calculated as half a year, and more than half a year will be calculated as a year.

(4) In order to promote the harmonious relationship between the employees and the Company, we actively promote various measures to safeguard the rights and interests of all employees to ensure that the Company's corporate governance conforms to the relevant laws and regulations. The relevant safeguarding measures are as follows:

- i. Regularly holding labor meetings to ensure a smooth communication channel between the employees and the Company.
- ii. Providing multiple complaint and report channels (such as an opinion box and a report and complaint telephone line and email address).
- iii. Implementing satisfaction surveys to listen to the employees' voices.

- iv. The old and new employees meet from time to time to provide assistance or advice regarding the work of other employees.
- v. Implementing internal and external audit systems to strengthen the Company's operations.
- vi. Increasing policy advocacy methods (such as internal sites, email address, bulletin boards, meetings, briefings and written tests) to enhance the employees' understanding and participation

(5) Working environment and employee personal safety protection measures:

The Company has long been committed to staff care, and looks forward to its growth as well as fulfilling its social responsibility in order to achieve sustainable development. The specific measures are as follows:

i. Company structure:

- (i) Establishment of a level-one unit: Work Safety Department and Environmental Protection Department
- (ii) Establishment of a cross-department disaster prevention unit: the Occupational Safety and Health Committee
- (iii) Establishment of the Employee Health Management Center

ii. Management policy:

- (i) Establishing occupational safety norms for employees to comply with: The Company has a Code of Practice, Risk Assessment Management Approach, Inspection and Audit Management Measures, Environmental Assessment Management Approach, Emergency Response Standards and Occupational Injury Handling Method for the employees to follow.
- (ii) Fire prevention and public safety: The Company annually reports the fire equipment maintenance status and conducts public building safety inspections, and regularly holds fire and emergency evacuation drills for the employees' prevention awareness.
- (iii) Education and training: Orientation training for new staff, fire prevention training (twice a year), vocational license annual re-training (for hazardous operation executives, stacker operators, crane operators, pressure vessel operators, etc.).
- (iv) Access control and surveillance system: The Company has established the Access Control Management Method and is equipped with complete monitoring facilities to monitor the status of various corners of the plant at any time.
- (v) Health protection related operating rules: The Company has formulated the "Working Rules for the Protection of Maternal Labor's Health", "Operating Procedures for Prevention of Abnormal Workloads Which Trigger Diseases", "Management Procedures for Prevention of Hazards Due to Human Factors", "Operating Procedures for Prevention of Unlawful Infringement in the Execution of Duties", "Operating Procedures for Worker Selection and Assessment", "Operating Procedures for Work Resumption Assessment", "Operating Procedures for Worker Dispatch Assessment" and "Health Management Procedures", and has arranged regular health checks, special operation-related health checks, influenza

vaccinations, etc. for the staff health protection.

iii. Implementation status:

- (i) Confined space: For the cleaning and maintenance of fermentation tanks and other confined spaces, the Company has established the "Management Approach for Confined Space Operation" and requires the operator to wear oxygen detection equipment, anti-fall equipment, a helmet and other personal safety equipment before the work.
- (ii) Chemicals and toxicants: The Company manages chemicals and toxicants for R&D and commodity inspection purposes in accordance with the requirements of the Occupational Safety and Health Ordinance and the Environmental Protection Regulations (on the storage of liquid ingredients and waste liquids, entry and exit registration, periodic filing and regular SDS updates).
- (iii) Health management: According to the "Employee Health Check Practices" and related regulations, the Company annually offers special-operation health checks to employees who are exposed to noises or chemicals or in contact with the products, and offers a general health check for employees over a certain age every 3 to 5 years. In both 2016 and 2017, the Company followed and excelled the statutory requirement of providing free health checks for all employees. In the future, the Company will strive for the goal of annual health checks to all employees.

Year	Number of Health Checks Performed
2015	257
2016	277
2017	312

For the prevention and handling of accidents in the plant, the plant is currently equipped with qualified nursing staff, nursing carts and the Health Management Center, and each production unit (at the entrance) is equipped with a first-aid box and AED equipment for emergency use.

- (iv) Occupational hazards: The Company did not have any major occupational hazards from 2016 to 2017.

iv. Relevant Certification :

- (i) The Company obtained OHSAS18001 certification on September 11, 2017
- (ii) The Company obtained TOSHMS (Taiwan Occupational Safety and Health Management System) certification on September 11, 2017
- (iii) The Company obtained ISO14001 (Environmental Management System) certification on September 11, 2017
- (iv) In 2016 and 2017 both the Zhongli and Pingzhen factory obtained the "Healthy Workplace Certification" (Health Activation and Health Promotion Label) from the National Health Administration of the Ministry of Health and Welfare
- (v) The Company has been certificated by Sports Administration, Ministry of Education for the Sports Enterprise in 2017.
- (vi) The Company received the "Taoyuan City's Excellent Breastfeeding Room Certification" (Pingzhen factory) in 2017.

(6) Other important agreements: Nil.

The Company regularly holds labor meetings to facilitate communication between the employees and the Company.

(7) Any loss due to labor disputes in the past year and as of the date of publication of the annual report: Nil.

The Company and its employees have always maintained the spirit of mutual cooperation and teamwork, and continue to achieve higher business goals with their joint efforts.

6. Important Contracts:

In addition to regular supply and sales contracts with its distributors and agents throughout the province, the Company has the following contracts in place:

No.	Contract Type	Counterparty	Contract Start and Ending Dates	Contents
1	Construction contract	Fu Tsu Construction	Oct 17, 2016 - Mar 10, 2018	Civil and electromechanical project contract for the new Longtan plant
2	Construction contract	Li Lin Interior Decoration	Contract signed on Aug 14, 2017, and the work starts within 10 days from the day of notification from Grape King, and to be completed within 90 days from the date of commencement.	Neihu Tam Mei Building's electrical and mechanical engineering
3	Construction contract	Pu Li Jie Engineering	Sep 10, 2017 to Dec 30, 2017	Plant renovation contract
4	Purchasing contract	Agilent Technologies	Aug 23, 2017 to Oct 2, 2017	Purchase of liquid chromatography
5	Purchasing contract	Alfa Laval Taiwan Ltd.	Nov 11, 2017 to Aug 28, 2018	Purchase of centrifuge equipment

1. Condensed Balanced Sheet and Consolidated Income statement for the Past Five Years

(1) Concise Consolidated Balance Sheet – Adopting International Reporting Standards.

Unit: NT\$ thousand

Year		Financial analysis for the past five years				
		2013	2014	2015	2016	2017
Current assets		1,829,990	1,965,711	2,650,568	2,970,564	2,890,021
Property, plant and equipment		1,820,462	2,067,880	5,596,702	6,084,377	6,355,416
Intangible assets		-	11,211	13,195	26,635	22,442
Other assets		978,399	1,324,017	351,900	468,180	623,777
Total assets		4,628,851	5,368,819	8,612,365	9,549,756	\$9,891,656
Current liabilities	Before distribution	1,218,433	1,463,042	1,788,317	2,473,150	2,879,037
	After distribution	2,116,751	2,552,872	2,874,525	3,760,151	Not yet distributed
Non-current liabilities		189,607	189,069	2,604,492	1,293,657	684,647
Total liabilities	Before distribution	1,408,040	1,652,111	4,392,809	3,766,807	3,563,684
	After distribution	2,306,358	2,741,941	5,479,017	5,053,808	Not yet distributed
Interests attributable to parent company owner		2,771,894	3,070,952	3,478,209	4,808,012	5,195,246
Capital stock		1,302,350	1,302,350	1,303,001	1,352,142	1,352,211
Capital reserve		4,363	4,363	59,567	799,221	800,246
Retained earnings	Before distribution	1,467,154	1,758,316	2,115,246	2,682,853	3,168,454
	After distribution	815,979	1,068,070	1,385,565	1,820,733	Not yet distributed
Other interests		(1,973)	5,923	395	(26,204)	(34,603)
Treasury stock		-	-	-	-	(91,062)
Non-controlling interests	Before distribution	448,917	645,756	741,347	974,937	1,132,726
	After distribution	201,774	246,172	384,820	550,056	Not yet distributed
Total equity	Before distribution	3,220,811	3,716,708	4,219,556	5,782,949	6,327,972
	After distribution	2,322,493	2,626,878	3,133,348	4,495,948	Not yet distributed

Note: The information above was certified by the CPAs.

(2) Concise Individual Balance Sheet - Adopting International Financial Reporting Standards

Unit: NT\$ thousand

Item	Year	Financial analysis for the past five years				
		2013	2014	2015	2016	2017
Current assets		828,972	806,658	1,532,292	1,257,523	939,927
Property, plant and equipment		936,447	1,103,267	1,751,836	2,278,534	2,565,903
Intangible assets		-	11,211	13,195	26,278	21,885
Other assets		1,441,974	1,670,325	1,761,881	2,371,639	2,828,394
Total assets		3,207,393	3,591,461	5,059,204	5,933,974	6,356,109
Current liabilities	Before distribution	309,712	408,879	529,117	860,470	1,075,882
	After distribution	960,887	1,099,125	1,258,798	1,722,590	Not yet distributed
Non-current liabilities		125,787	111,630	1,051,878	265,492	84,981
Total liabilities	Before distribution	435,499	520,509	1,580,995	1,125,962	1,160,863
	After distribution	1,086,674	1,210,755	2,310,676	1,988,082	Not yet distributed
Interests attributable to parent company owner		2,771,894	3,070,952	3,478,209	4,808,012	5,195,246
Capital stock		1,302,350	1,302,350	1,303,001	1,352,142	1,352,211
Capital reserve		4,363	4,363	59,567	799,221	800,246
Retained earnings	Before distribution	1,467,154	1,758,316	2,115,246	2,682,853	3,168,454
	After distribution	815,979	1,068,070	1,385,565	1,820,733	Not yet distributed
Other interests		(1,973)	5,923	395	(26,204)	(34,603)
Treasury stock		-	-	-	-	(91,062)
Non-controlling interests	Before distribution	-	-	-	-	-
	After distribution	-	-	-	-	-
Total equity	Before distribution	2,771,894	3,070,952	3,478,209	4,808,012	5,195,246
	After distribution	2,120,719	2,380,706	2,748,528	3,945,892	Not yet distributed

Note: The information above was certified by the CPAs

(3) Concise Consolidated Income Statement - Adopting International Financial Reporting Standards
Unit: NT\$ thousand

Item \ Year	Financial analysis for the past five years				
	2013	2014	2015	2016	2017
Operating revenue	5,639,456	6,282,859	7,247,855	9,185,021	9,388,128
Gross profit	4,983,023	5,561,235	6,385,141	7,919,032	7,864,684
Operating income	1,329,929	1,599,792	1,812,416	2,234,022	2,254,295
Non-operating income and expenses	97,350	89,426	70,188	78,477	151,175
Income from continuing operations before income tax	1,427,279	1,689,218	1,882,604	2,312,499	2,405,470
Net income of continuing business units	1,181,429	1,386,513	1,546,884	1,886,920	1,934,732
Loss of suspended business unit	-	-	-	-	-
Net income	1,181,429	1,386,513	1,546,884	1,886,920	1,934,732
Other comprehensive income, net of tax	4,709	7,702	(10,061)	(26,114)	(12,740)
Total comprehensive income	1,186,138	1,394,215	1,536,823	1,860,806	1,921,992
Net income attributable to stockholders of the parent	835,762	942,483	1,051,652	1,296,769	1,351,941
Net income attributable to non-controlling interests	345,667	444,030	495,232	590,151	582,791
Total comprehensive income attributable to stockholders of the parent	840,428	950,233	1,041,648	1,270,689	1,339,322
Total comprehensive income attributable to non-controlling interests	345,710	443,982	495,175	590,117	582,670
Earnings per share	6.42	7.24	8.07	9.82	10.03

Note: The information above was certified or reviewed by the CPAs.

(4) Concise Individual Income Statement - Adopting International Financial Reporting Standards

Unit: NT\$ thousand

Item \ Year	Financial analysis for the past five years				
	2013	2014	2015	2016	2017
Operating revenue	3,548,720	1,393,749	1,546,041	1,828,031	1,770,158
Gross profit	2,980,892	771,557	817,374	962,265	875,726
Operating income	339,884	331,987	315,185	321,370	272,045
Non-operating income and expenses	563,888	689,050	818,197	1,066,006	1,161,992
Income from continuing operations before income tax	903,772	1,021,037	1,133,382	1,387,376	1,434,037
Net income of continuing business units	835,762	942,483	1,051,652	1,296,769	1,351,941
Loss of suspended business unit	-	-	-	-	-
Net income	835,762	942,483	1,051,652	1,296,769	1,351,941
Other comprehensive income, net of tax	4,666	7,750	(10,004)	(26,080)	(12,619)
Total comprehensive income	840,428	950,233	1,041,648	1,270,689	1,339,322
Net income attributable to stockholders of the parent	835,762	942,483	1,051,652	1,296,769	1,351,941
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent	840,428	950,233	1,041,648	1,270,689	1,339,322
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	6.42	7.24	8.07	9.82	10.03

Note: The information above was certified by the CPAs

(5) Auditing CPAs and audit opinions in the past five years

Year	Accounting firm	Auditing CPAs	Audit opinion
2013	PKF Taiwan	Bo-Yan Hsu, Ming-Yu Wen	Revised unqualified opinion
2014	PKF Taiwan	Bo-Yan Hsu, Jing-Hsien Hsu	Revised unqualified opinion
2015	Ernst & Young Certified Public Accountants	Mars Hung, James Wang	Revised unqualified opinion
2016	Ernst & Young Certified Public Accountants	Mars Hung, James Wang	Unqualified opinion with emphasized paragraphs or other paragraphs
2017	Ernst & Young Certified Public Accountants	Mars Hung, Julia Lo	Unqualified opinion with emphasized paragraphs or other paragraphs

2. Financial Analysis

(1) Consolidated Financial Analysis

Year (Note 1) Item (Note 2)		Financial analysis for the past five years					Rate of change from 2016 to 2017
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt to asset ratio	30.42	30.77	51.01	39.44	36.03	-9%
	Long term capital to property, plant and equipment ratio	187.34	188.88	121.93	116.31	110.34	-5%
Solvency (%)	Current ratio	150.19	134.36	148.22	120.11	100.38	-16%
	Quick ratio	129.68	114.91	126.81	101.20	81.59	-19%
	Interest coverage ratio	10,843.62	19,643.07	82.37	73.93	137.84	86%
Operating capacity	Receivable turnover rate (times)	48.27	65.81	71.86	59.69	50.52	-15%
	Average cash recovery day	7.56	5.54	5.08	6.11	7.22	18%
	Inventory turnover rate (times)	2.51	2.38	2.29	2.93	3.13	7%
	Payable turnover rate (times)	7.47	6.68	6.14	7.22	5.84	-19%
	Days sales outstanding	145.41	153.36	159.39	124.57	116.61	-6%
	Property, plant and equipment turnover rate (times)	3.33	3.23	1.89	1.57	1.51	-4%
	Total asset turnover rate (times)	1.33	1.26	1.04	1.01	0.97	-4%
Profitability	Return on assets (%)	27.79	27.74	22.40	21.07	20.05	-5%
	Return on equity (%)	39.77	39.97	38.98	37.73	31.95	-15%
	Pre-tax net profit to paid-in capital ratio (%)	109.59	129.71	144.52	174.19	177.90	2%
	Net profit rate (%)	20.90	22.07	21.34	20.54	20.61	0%
	Earnings per share (NT\$)	6.42	7.24	8.07	9.82	10.03	2%
Cash flow	Cash flow ratio (%)	129.33	131.35	73.08	113.34	86.68	-24%
	Cash flow adequacy ratio (%)	112.52	108.71	81.49	88.10	91.67	4%
	Cash reinvestment ratio (%)	19.12	19.47	2.62	19.78	13.81	-30%
Leverage	Operating leverage	1.66	1.65	1.57	1.71	1.73	1%
	Financial leverage	1.00	1.00	1.01	1.01	1.01	0%

Reasons for changes of over 20% in financial ratios over the past two years:

1. Interest coverage ratio: Mainly due to the conversion of the domestic convertible corporate bonds and the reduction of interest expenses.
2. Cash flow ratio: Mainly due to an increase in short-term borrowings and the conversion of the domestic convertible corporate bonds due within one year which is transferred to current liabilities
3. Cash reinvestment ratio: Mainly due to a decrease in cash inflow from operations and an increase in property, plant and equipment.

Note 1: The information above was certified by the accountants.

Note 2: The financial ratios are calculated as follows:

1. Financial structure
 - (1) Debt to asset ratio = total liabilities / total assets
 - (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment
2. Solvency
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
 - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.
3. Operating capacity
 - (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
 - (2) Average cash recovery date = 365 / receivables turnover rate
 - (3) Inventory turnover rate = sales cost / average inventory
 - (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
 - (5) Days sales outstanding = 365 / inventory turnover rate
 - (6) Property, plant and equipment turnover rate = net sales / net average property, plant and equipment value
 - (7) Total asset turnover rate = net sales / average total assets
4. Profitability
 - (1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets
 - (2) Return on equity = after tax profit and loss / average equity
 - (3) Net profit rate = after tax profit and loss / net sales
 - (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)
6. Leverage:
 - (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit
 - (2) Financial leverage = operating profit / (operating profit - interest expense)

(2) Individual Financial Analysis

Year (Note 1) Item (Note 2)		Financial analysis for the past five years					Rate of change from 2016 to 2017
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt to asset ratio	13.58	14.49	31.25	18.97	18.26	-4%
	Long term capital to property, plant and equipment ratio	309.43	288.47	258.59	222.67	205.78	-8%
Solvency (%)	Current ratio	267.66	197.29	289.59	146.14	87.36	-40%
	Quick ratio	202.48	138.58	230.24	106.36	56.06	-47%
	Interest coverage ratio	6,866.69	11,873.52	174.75	103.74	284.57	174%
Operating capacity	Receivable turnover rate (times)	19.55	7.66	7.75	8.01	7.53	-6%
	Average cash recovery day	18.67	47.65	47.10	45.57	48.47	6%
	Inventory turnover rate (times)	2.82	2.74	2.63	2.63	2.66	1%
	Payable turnover rate (times)	8.46	7.44	6.48	7.71	8.66	12%
	Days sales outstanding	129.43	133.21	138.78	138.78	137.22	-1%
	Property, plant and equipment turnover rate (times)	3.97	1.37	1.08	0.91	0.73	-20%
	Total asset turnover rate (times)	1.18	0.41	0.36	0.33	0.29	-12%
Profitability	Return on assets (%)	27.70	27.73	24.44	23.80	22.07	-7%
	Return on equity (%)	32.24	32.26	32.12	31.30	27.03	-14%
	Pre-tax net profit to paid-in capital ratio (%)	69.40	78.40	87.00	104.50	106.05	1%
	Net profit rate (%)	23.50	67.62	68.02	70.94	76.37	8%
	Earnings per share (NT\$)	6.42	7.24	8.07	9.82	10.03	2%
Cash flow	Cash flow ratio (%)	141.76	149.86	-	112.55	67.61	-40%
	Cash flow adequacy ratio (%)	82.25	76.99	49.34	44.84	42.32	-6%
	Cash reinvestment ratio (%)	-	-	-	3.87	(2.06)	-153%
Leverage	Operating leverage	2.15	2.06	1.96	3.22	4.07	26%
	Financial leverage	1.00	1.00	1.02	1.04	1.02	-2%

Reasons for changes of over 20% in financial ratios over the past two years:

1. Current ratio and quick ratio: Mainly due to the conversion of the domestic convertible corporate bonds due within one year which is transferred to current liabilities.
2. Interest coverage ratio: Mainly due to the gradual conversion of the domestic convertible corporate bonds and a reduction of interest expenses.
3. Turnover of property, plant and equipment: Mainly due to the payment for the construction of the Longtan Plant and Neihu Building's interior decoration, which resulted in an increase in property, plant and equipment.
4. Cash flow ratio: Mainly due to an increase in short-term borrowings and the transfer of domestic convertible corporate bonds due within one year to current liabilities.
5. Cash reinvestment ratio: Mainly due to the receipt of a grant from the Taoyuan municipal government for road widening in 2016 which did not occur in 2017, thus causing a decrease in net cash inflow from operating activities.
6. Operating leverage: Mainly due to a decrease in net operating profit.

Note 1: The information above was certified by accountants.

Note 2: The financial ratios are calculated as follows:

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets

(2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period

3. Operating capacity

(1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)

(2) Average cash recovery date = 365 / receivables turnover rate

(3) Inventory turnover rate = sales cost / average inventory

(4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)

(5) Days sales outstanding = 365 / inventory turnover rate

(6) Property, plant and equipment turnover = net sales / net average property, plant and equipment value

(7) Total asset turnover rate = net sales / average total assets

4. Profitability

(1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets

(2) Return on equity = after tax profit and loss / average equity

(3) Net profit rate = after tax profit and loss / net sales

(4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)

6. Leverage:

(1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit - interest expense)

3. Supervisors' Review Report on the Latest Financial Report

Supervisors' Review Report

The Board of Directors has prepared the financial statements, the consolidated financial statements, the business report and the earnings distribution table of the Company for the year of 2017. After the Supervisors' verification of the books and investigation of the facts, we are of the opinion that the above-mentioned documents correspond to the facts, and hereby issue this report according to the law for your future reference.

To

2018 General Shareholders' Meeting of Grape King Bio Ltd.

Supervisors

Chih-Sheng Chang
Mei-Li Chen

March 9, 2018

4. Latest Consolidated Financial Statements of the Parent Company and Subsidiaries Audited and Certified by CPAs

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

To Grape King Bio Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Grape King Bio Ltd. (the “Company”) and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter-Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2017 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

English Translation of a Report Originally Issued in ChineseRevenue Recognition

We have determined that revenue recognition is one of the key audit matters due to the following consideration. First of all, the consolidated revenue amounting to NT\$9,388,128 thousand for the year ended December 31, 2017 is a significant account to the Company's consolidated financial statements. Secondly, the Company's revenue sources include a variety of business models, including direct-sale, sale through distributors, subcontracting services, etc. Furthermore, the various and complicated sale terms & conditions embedded in the Company's multiple sales contracts and/or orders also increase the complexity of revenue recognition. As a result, our audit procedures for distributors-sale and subcontracting services include, but are not limited to, identifying the models, assessing the appropriateness of revenue recognition policy, testing the effectiveness of the related controls established by the management, performing test of detail for shipping document to be agreed with underlying sale contracts, sale cutoff testing, and searching for significant subsequent sale return or allowance. For the direct-sale conducted by the Company's subsidiary, Pro-partner Inc., the other auditors have tested the effectiveness of relevant controls. The other auditors' procedures included vouching to related orders, shipping document and collection records, testing the detail of direct-sale transactions, testing sale cutoff, and searching for significant subsequent sale return or allowance. We, as the primary auditors, have reviewed and assessed the other auditors' procedures described above. We also consider the appropriateness of the disclosure of operating revenues in Note 6 to the consolidated financial statements.

Inventory valuation

The net carrying value of inventory as of December 31, 2017 for Grape King Bio Ltd. and its subsidiaries amounted to NT\$492,058 thousand, which were significant to the consolidated financial statements. We have determined that valuation on inventory is one of the key audit matters in considering that the maturity of the Company's main products, including health foods and beverages, may be short and the policy for provision against inventory normally involves the management's significant judgment. Our audit procedures therefore mainly include, but are not limited to, assessing the appropriateness of policy for inventory provision including those for identifying slow-moving inventory and analysis on inventory movement, testing the management's execution and compliance with the control policy for identifying products maturity including test on correctness of calculating the duration, analyzing the reasonableness of expiring inventory movement, examining the compliance of computing net realizable value of inventory based on different product maturity, and performing the observation procedure on the Company's inventory physical taking, etc. We also considered the appropriateness of the disclosure of inventories in Note 5 and 6 to the consolidated financial statements.

English Translation of a Report Originally Issued in Chinese

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

We did not audit the financial statements of Pro-partner Inc., a 60%-owned subsidiary of the Company, while they were audited by the other auditors. Our audits, insofar as it relates to the financial statements of Pro-partner Inc. are based solely on the reports of the other auditors. As of December 31, 2017 and 2016, total assets of Pro-partner Inc. were NT\$4,950,253 thousand and NT\$4,994,993 thousand, representing 50.04% and 52.30% of the consolidated total assets of the Company, while the operating revenues for the years then ended were NT\$8,050,198 thousand and NT\$8,169,428 thousand, representing 85.75% and 88.94% of the consolidated operating revenues.

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

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

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

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

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

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

English Translation of a Report Originally Issued in Chinese

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of December 31, 2017 and 2016 and for the years then ended.

Ernst & Young
February 22nd, 2018
Taipei, Taiwan,
Republic of China

Notices to Readers

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

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 GRAPE KING BIO LTD.
 CONSOLIDATED BALANCE SHEETS
 As of December 31, 2017 and 2016
 (Amounts Expressed in Thousands of New Taiwan Dollars)

	Notes	2017	2016	Liabilities and Stockholders' Equity	Notes	2017	2016
Assets							
Current assets							
Cash and cash equivalents	4,6(1)	\$1,920,497	\$1,899,302	Short-term debt	4,6(12),8	\$300,000	\$50,000
Financial assets at fair value through profit or loss, current	4,6(2),(15)	70,376	346,062	Notes payable		7,207	11,335
Debt investments without active market	4,6(4)	180,075	43,385	Accounts payable		316,108	186,737
Notes receivable, net	4,6(5),(6)	5,753	5,098	Other payables	6(13)	1,618,259	1,686,213
Accounts receivable, net	4,6(6)	154,616	196,383	Other payables-related parties	7	32,773	33,079
Accounts receivable-related parties, net	4,6(6),7	-	2,907	Current tax liabilities	4,5,6(25)	250,431	288,031
Other receivables	4	6,111	4,056	Other current liabilities	6(14),7	151,078	174,668
Inventories, net	4,5,6(7)	492,058	434,990	Current portion of bonds payable	4,6(15)	171,207	-
Prepayments	6(8)	48,892	32,645	Current portion of long-term loans payable	4,6(16),8	31,974	43,087
Other current assets	6(8)	11,643	5,736	Total current liabilities		2,879,037	2,473,150
Total current assets		2,890,021	2,970,564	Non-current liabilities			
Non-current assets				Bonds payable	4,6(15)	-	168,981
Financial assets at fair value through profit or loss, non-current	4,5,6(2),(15)	-	87	Long-term debt	4,6(16),8	518,670	943,523
Financial assets measured at cost	4,6(3)	28,028	28,028	Deferred tax liabilities	4,5,6(25)	68,463	69,272
Debt investments without active market	4,6(4),8	4,460	4,460	Other liabilities	4,5,6(17),(19)	97,514	111,881
Property, plant and equipment	4,6(9),8	6,355,416	6,084,377	Total non-current liabilities		684,647	1,293,657
Investment properties	4,6(10)	185,985	185,985	Total liabilities		3,563,684	3,766,807
Intangible assets	4,6(11)	22,442	26,635	Equity attributable to the parent company	6(20)		
Deferred tax assets	4,5,6(25)	5,752	22,381	Capital			
Other assets-others	6(8)	399,552	227,239	Common stock		1,352,211	1,352,142
Total non-current assets		7,001,635	6,579,192	Additional paid-in capital	6(15),(20)	800,246	799,221
				Retained earnings	6(20)		
				Legal reserve		675,213	545,536
				Special reserve		74,671	74,671
				Unappropriated earnings		2,418,570	2,062,646
				Other components of equity		(34,603)	(26,204)
				Treasury stock	4,6(20)	(91,062)	-
				Non-controlling interests	6(20),(27)	1,132,726	974,937
				Total equity		6,327,972	5,782,949
Total assets		\$9,891,656	\$9,549,756	Total liabilities and equity		\$9,891,656	\$9,549,756

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

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GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

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

	Notes	2017	2016
Operating revenues	4,6(21),7	\$9,388,128	\$9,185,021
Operating costs	7	(1,523,444)	(1,265,989)
Gross profit		7,864,684	7,919,032
Operating expenses	7		
Sales and marketing		(4,983,215)	(5,003,657)
General and administrative		(467,511)	(567,321)
Research and development		(159,663)	(114,032)
Operating expenses total		(5,610,389)	(5,685,010)
Operating income		2,254,295	2,234,022
Non-operating income and expenses			
Other income	6(23),7	177,933	109,990
Other gain and losses	6(23)	(9,179)	194
Finance costs	6(23)	(17,579)	(31,707)
Non-operating income and expenses total		151,175	78,477
Income from continuing operations before income tax		2,405,470	2,312,499
Income tax expense	4,6(25)	(470,738)	(425,579)
Net income		1,934,732	1,886,920
Other comprehensive income	6(24)		
Items that may not be reclassified subsequently to profit or loss			
Actuarial gain (loss) from defined benefit plans		(5,267)	584
Income tax related to items that may not be reclassified subsequently to P/L		926	(99)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(8,399)	(26,599)
Income tax related to items that may be reclassified subsequently to P/L		-	-
Total other comprehensive income, net of tax		(12,740)	(26,114)
Total comprehensive income		\$1,921,992	\$1,860,806
Net income attributable to:			
Stockholders of the parent		\$1,351,941	\$1,296,769
Non-controlling interests	6(27)	582,791	590,151
		\$1,934,732	\$1,886,920
Total comprehensive income attributable to:			
Stockholders of the parent		\$1,339,322	\$1,270,689
Non-controlling interests	6(27)	582,670	590,117
		\$1,921,992	\$1,860,806
Earnings per share-basic (in NT\$)	6(26)	\$10.03	\$9.82
Earnings per share-diluted (in NT\$)	6(26)	\$9.93	\$9.57

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

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GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollar)

	Common Stock	Additional Paid-in Capital	Retained Earnings			Treasury stock	Total	Non-Controlling Interests	Total Equity		
			Legal Reserve	Special Reserve	Unappropriated Earnings					Other Components of equity	
										Legal Reserve	Special Reserve
Balance as of January 1, 2016	\$1,303,001	\$59,567	\$440,371	\$74,671	\$1,600,204	\$-	\$3,478,209	\$741,347	\$4,219,556		
Appropriations of prior year's earnings											
Legal reserve			105,165		(105,165)						
Cash dividends					(729,681)			(356,527)	(1,086,208)		
Changes in capital surplus											
Shares from bonds converted	49,141	739,654							788,795		
Net income, 2016					1,296,769				590,151		
Other comprehensive income, 2016					519		(26,599)	(34)	(26,114)		
Total comprehensive income, 2016					1,297,288		(26,599)		1,860,806		
Balance as of December 31, 2016	1,352,142	799,221	545,536	74,671	2,062,646		4,808,012	974,937	5,782,949		
Appropriations of prior year's earnings											
Legal reserve			129,677		(129,677)						
Cash dividends					(862,120)			(424,881)	(1,287,001)		
Changes in capital surplus											
Shares from bonds converted	69	1,025							1,094		
Net income, 2017					1,351,941				582,791		
Other comprehensive income, 2017					(4,220)		(8,399)	(121)	(12,740)		
Total comprehensive income, 2017					1,347,721		(8,399)		1,921,992		
Treasury stock purchased						(91,062)			(91,062)		
Balance as of December 31, 2017	\$1,352,211	\$800,246	\$675,213	\$74,671	\$2,418,570	\$(91,062)	\$5,195,246	\$1,132,726	\$6,327,972		

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

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GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2017	2016	2017	2016
Cash flows from operating activities:				
Net income before tax	\$2,405,470	\$2,312,499	(136,950)	(40,990)
Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities:			(772,361)	(736,118)
Depreciation	218,064	205,015	580	276
Amortization	6,608	4,281	5,422	(11,528)
Bad debt expenses	43	2,299	(2,415)	(17,721)
Net gain of financial assets at fair value	(723)	(1,472)	(2,577)	(2,659)
Interest expense	17,579	31,707	2	2
Interest revenue	(4,632)	(3,432)	(908,299)	(808,738)
Dividend revenue	(2)	(2)		
Loss (gain) from disposal of property, plant and equipment	7,274	1,230	250,000	50,000
Changes in operating assets and liabilities:			(435,966)	(506,724)
Financial asset held for trading	276,496	377,532	2,513	16,372
Notes receivable	(655)	3,214	(1,287,001)	(1,086,208)
Accounts receivable	41,748	(122,874)	(91,062)	-
Accounts receivable-related parties	2,907	9,813	(1,561,516)	(1,526,560)
Other receivables	(2,023)	(2,397)		
Inventories	(57,068)	(75,516)	(4,646)	(1,088)
Prepayments	(13,956)	(3,524)	21,195	466,742
Other current assets	(5,907)	4,683	1,899,302	1,432,560
Notes payable	(4,128)	10,561	\$1,920,497	\$1,899,302
Accounts payable	129,371	34,660		
Accounts payable-related parties	-	-		
Other payables	9,379	293,060		
Other payables-related parties	(306)	5,732		
Advance receipts	33,809	(11,241)		
Other current liabilities	(48,349)	111,264		
Accrued pension liabilities	(14,249)	(22,357)		
Cash generated from operations	2,996,750	3,164,735		
Interest received	4,600	3,461		
Interest paid	(14,102)	(18,500)		
Income tax paid	(491,592)	(346,568)		
Net cash provided by (used in) operating activities	2,495,656	2,803,128		
Cash flows from investing activities:				
Acquisition of bond investments without active market			250,000	50,000
Acquisition of property, plant and equipment			(435,966)	(506,724)
Disposal of property, plant and equipment			2,513	16,372
Decrease (increase) in refundable deposits			(1,287,001)	(1,086,208)
Acquisition of intangible assets			(91,062)	-
Other non-financial assets			(1,561,516)	(1,526,560)
Cash dividends received				
Net cash provided by (used in) investing activities			(4,646)	(1,088)
Cash flows from financing activities:				
Increase (decrease) in short-term loans			21,195	466,742
Decrease in long-term loans			1,899,302	1,432,560
Guarantee deposit received				
Cash dividends				
Cost of Treasury stock				
Net cash provided by (used in) financing activities			(4,646)	(1,088)
Effect of exchange rate changes on cash and cash equivalents				
Net increase (decrease) in cash and cash equivalents			1,899,302	1,432,560
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period			\$1,920,497	\$1,899,302

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

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 years ended 31 December 2017 and 2016 were authorized for issuance at February 22, 2018 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 endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2017. The nature and the impact of each new standard and amendment have no material effect on the Group.

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

(a) IFRS 15 “Revenue from Contracts with Customers”

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

(b) IFRS 9 “Financial Instruments”

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

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

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

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

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

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

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

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

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

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

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

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

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

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

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

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

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

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

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

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

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

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

IFRS 12 “Disclosure of Interests in Other Entities”

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

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IAS 28 “Investments in Associates and Joint Ventures”

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

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

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

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. Apart from the potential impact of the standards and interpretations listed under (a), (b), (e), and (f) which is described below, all other standards and interpretations have no material impact on the Group:

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

The Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

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

(i) Revenue from sale of goods is currently recognized when goods have been delivered to and accepted by the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. Though, for some contracts under which the Group has received part of the consideration from customers upon signing the contract and therefore has the obligation to deliver the goods subsequently, the Group shall recognize the consideration received as payment received in advance under other current liabilities. Starting from the date of initial application, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT\$83,085 thousand.

(ii) The consideration paid to customers

In accordance with IFRS 15, the Group will record the considerations paid to customers and the retail bonus to Multi-level marketing (MLM) members as a reduction against revenue. The foregoing accounting treatment is different from the current but does not affect the initial assets, liabilities or equity on the adoption date.

(iii) In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b) IFRS 9 "Financial Instruments"

The Group elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. Classification and measurement of financial assets

Available-for-sale financial assets – equity instrument investments measured at cost

The assessment of the cash flow characteristics will be based on the facts and circumstances that existed as at the date of initial application. As these equity instrument

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investments are not held-for-trading, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Group will reclassify available-for-sale financial assets to financial assets measured at fair value through other comprehensive income of NT\$28,028 thousand. Other related adjustments are described as follow:

The stocks of unlisted companies were currently measured at cost in accordance with IAS 39 but shall be remeasured at fair value under IFRS 9. The estimated fair value of the stocks of unlisted companies was NT\$18,387 as at the date of initial application. The Group will adjust the carrying amount of financial assets measured at fair value through other comprehensive income and will also adjust other equity by NT\$9,641 thousand.

Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 is measured using the simplified approach (provision matrix). The aforementioned requirements on impairment is different from the current incurred loss model and have no material impact on the Group.

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

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

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

(a) IFRS 16 “Leases”

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

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

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) IFRS 17 “Insurance Contracts”

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

- (i) Estimates of future cash flows;
- (ii) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (iii) A risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

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

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

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

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

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

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after January 1, 2019.

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

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after January 1, 2019.

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

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			Dec. 31, 2017	Dec. 31, 2016
The Company	Pro-partner Inc. (Pro-partner) (NOTE 2)	Sales	60%	60%
The Company	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI) (GKBVI)	Investment	100%	100%
The Company	Rivershine Ltd. (Rivershine)	Sales	100%	100%
GKBVI	Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Manufacturing and Sales	100%	100%
GKBVI	Shanghai Rivershine Ltd. (Shanghai Rivershine)	Sales	100% (NOTE 1)	-

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

NOTE 2: The financial statements of Pro-partner are based solely on the reports of the other auditors. As of 31 December 2017 and 2016, total assets of Pro-partner were NT\$4,950,253 thousand and NT\$4,994,993 thousand, and the operating revenues for the years then ended were NT\$8,050,198 thousand and NT\$8,169,428 thousand, respectively.

(4) Foreign currency transactions

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

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

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

- A. Foreign currency items within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are accounted for based on the accounting policy for financial instruments.
- B. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

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

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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

controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

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(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

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

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. The Group determines the classification of its financial assets at initial recognition based on their natures and purposes.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

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Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after

the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

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

Other loss events include:

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

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

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

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In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. The impairment amount is reclassified from equity to profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in equity.

Derecognition of financial assets

A financial asset is derecognized when:

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

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

B. Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract of the Group that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Compound instruments

The Group recognizes the financial liabilities and the elements of equity in respect of the convertible bonds issued by the Group. The other is the conversion of corporate bonds issued, the Department of the distinction between the interests of elements before the assessment of the embedded foreclosure of the economic characteristics and risk is closely related with the main debt goods.

Does not involve the part of the liabilities of derivative financial instruments, the fair value of the use of the same nature and does not convert the characteristics of the bond market interest rate assessment, before the conversion or redemption settlement, this part of the amount classified as amortized after the cost of financial liabilities; An embedded derivative financial instrument that is not closely related to the economic risk of the contract is not limited to the cost of the deferred amortization of the debt commodity on each execution date, except for the elements of the equity The amount of the equity element is determined by the conversion of the fair value of the corporate bonds, and the amount of the book is not renewed in the subsequent accounting period. The amount of the equity interest shall be determined by the amount of the equity interest in the subsequent period measure. If the convertible corporate bonds are not subject to equity, they are dealt with in the form of a combination of "Financial Instruments: Recognition and Measurement", International Accounting Standards No. 39.

The transaction costs are distributed to liabilities and equity components in proportion to the proportion of convertible corporate bonds to liabilities and equity components.

Conversion of corporate bondholders in the conversion of corporate bonds before the expiry of the right to exercise the conversion, the first component of the debt to adjust the amount of the amount of conversion should be the amount of the book should be issued as the basis for the issuance of common stock.

Financial liabilities

Financial liabilities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

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

Derecognition of financial liabilities

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

C. Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

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

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

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

(11) Property, plant and equipment

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

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

Land improvements	7 years
Buildings	5 ~ 60 years
Machinery and equipment	6 ~ 30years
Transportation equipment	5 ~ 8 years
Leasehold improvements	3 ~ 5 years or 46.5years
Other equipment	3 ~ 20 years

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

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

(12) Investment Property

The investment property is measured at its original cost and includes the transaction costs of the asset. The carrying amount of investment property includes the cost of refitting or adding existing investment real estate under the condition that the cost can be recognized, but the general daily maintenance costs are not part of its cost. After the original recognition, the measurement of investment real estate is adopted in accordance with the IAS 16 "Property, Plant and Equipment", but according to the International Financial Reporting Standards No. 5 Current assets and business units "are excluded from the terms of the sale (or those classified as classified groups to be sold).

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

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

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(13) Leasing

Group as a lessee

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. Rental incomes under operating lease are recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets is assessed finite.

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

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

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

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

(15) Impairment of non-financial assets

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

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

(16) Treasury stock

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

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(17) Revenue recognition

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

Sale of goods

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

Rendering of services

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

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

Interest income

Interest incomes from financial assets at amortized costs (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets are estimated using the effective interest method and recognized in profit or loss.

Dividend income

Dividend incomes are recognized only when the Group has the right to receive the dividends.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are

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capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Government grants

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

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

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

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

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

(21) Income tax

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

Current income tax

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

The 10% income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit

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will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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

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

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

5. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

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(a) Fair value of financial instruments

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

(b) Inventory valuation

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

(c) Post-employment benefits

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

(d) Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit

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will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2017, the un-recognized portion of the Company's deferred tax assets was disclosed in Note 6.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2017	2016
Cash on hand	\$3,546	\$4,187
Checkings and savings	1,138,371	1,045,316
Repurchase agreements collateralized by corporate bonds	249,790	699,734
Repurchase agreements collateralized by bonds	528,790	150,065
Total	<u>\$1,920,497</u>	<u>\$1,899,302</u>

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

	As of December 31,	
	2017	2016
Financial assets held for trading:		
Monetary fund	\$70,000	\$345,069
Valuation adjustments	307	993
Subtotal	<u>70,307</u>	<u>346,062</u>
Embedded Derivatives:		
Right of redemption	69	87
Total	<u>\$70,376</u>	<u>\$346,149</u>

	As of December 31,	
	2017	2016
Current	\$70,376	\$346,062
Non-current	-	87
Total	<u>\$70,376</u>	<u>\$346,149</u>

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

(3) Financial assets measured at cost

	As of December 31,	
	2017	2016
Stock of unlisted companies	\$28,028	\$28,028
	As of December 31,	
	2017	2016
Current	\$-	\$-
Non-current	28,028	28,028
Total	\$28,028	\$28,028

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

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

c. Financial assets measured at cost were not pledged.

(4) Bond investments with no active market

	As of December 31,	
	2017	2016
Time deposits	\$184,535	\$47,845
Current	\$180,075	\$43,385
Non-current	4,460	4,460
Total	\$184,535	\$47,845

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

(5) Notes receivables

	As of December 31,	
	2017	2016
Notes receivables arising from operating activities	\$5,753	\$5,098
Less: allowance for doubtful accounts	-	-
Total	\$5,753	\$5,098

Information on allowance for doubtful debt changes of notes receivable, please refer to Note 6(6) to the consolidated financial statements for details.

Notes receivables were not pledged.

(6) Trade receivables and trade receivables from related parties

	As of December 31,	
	2017	2016
Trade receivables	\$158,064	\$199,811
Less: allowance for doubtful accounts	(3,448)	(3,428)
Subtotal	154,616	196,383
Trade receivables from related parties	-	2,907
Less: allowance for doubtful accounts	-	-
Subtotal	-	2,907
Total	\$154,616	\$199,290

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

Trade receivables were not pledged.

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

	Individually impaired	Collectively impaired	Total
As of Jan. 1, 2017	\$-	\$3,428	\$3,428
Charge/(reversal) for the current period	-	43	43
Reclassification	-	(23)	(23)
Exchange differences	-	-	-
As of Dec. 31, 2017	<u>\$-</u>	<u>\$3,448</u>	<u>\$3,448</u>
As of Jan. 1, 2016	\$37,488	\$3,373	\$40,861
Charge/(reversal) for the current period	-	55	55
Bad debts	(35,499)	-	(35,499)
Exchange differences	(1,989)	-	(1,989)
As of Dec. 31, 2016	<u>\$-</u>	<u>\$3,428</u>	<u>\$3,428</u>

Impairment loss that was individually determined for the years ended 31 December 2016 due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Group did not acquire any collateral for such trade receivables.

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

As of	Past due but not impaired:				Total
	Neither past due nor impaired	≤90 days	90~180days	>180 days	
Dec. 31, 2017	\$145,643	\$8,700	\$262	\$11	\$154,616
Dec. 31, 2016	\$197,413	\$1,731	\$135	\$11	\$199,290

(7) Inventories

	As of December 31,	
	2017	2016
Raw materials	\$106,816	\$93,293
Supplies	28,614	22,953

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Semi-finished goods and Work in process	158,357	164,678
Finished goods	193,936	154,041
Merchandise	4,335	25
Total	<u>\$492,058</u>	<u>\$434,990</u>

- a. The cost of inventories recognized in expenses in amount of NT\$1,523,444 thousand and NT\$1,265,989 thousand for the years ended December 31, 2017 and 2016, respectively, including the write-down of inventories, is detailed as following

	For the year ended December 31,	
	2017	2016
Inventory loss on retirement	\$21,835	\$6,867
Gains or loss from physical taking	(1,668)	(2,028)
Total	<u>\$20,167</u>	<u>\$4,839</u>

- b. No inventories were pledged.

(8) Prepayments and other assets

	As of December 31,	
	2017	2016
Prepayment for purchase	\$23,000	\$11,530
Prepaid rental on land	46,023	48,315
Prepayment for equipment	307,293	129,820
Office supplies	6,199	7,809
Other prepaid expenses	19,694	13,137
Other current assets	11,643	5,905
Refundable deposits	23,483	28,905
Overdue receivable	2,267	2,244
Less: allowance for doubtful debts	(2,267)	(2,244)
Other noncurrent assets-other	22,752	20,199
Total	<u>\$460,087</u>	<u>\$265,620</u>
Current portion	\$60,535	\$38,381
Noncurrent portion	399,552	227,239
Total	<u>\$460,087</u>	<u>\$265,620</u>

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(1) The amount recognized under the caption of “prepaid rental on land” was the land-transferring fees prepaid to the Ministry of Land and Resource of the People's Republic of China for acquiring the right to use the land in Shanghai Songjiang Industrial Zone. Shanghai Grape King leased the land for construction of their factories with the lease term from October 1997 to March 2044. All fees were paid in full when the lease agreement was entered into and are amortized over the lease term.

(2) Overdue receivables were those expected not to be collected within a year and the Group has provided a full allowance for doubtful accounts against them. And the Company holds collateral for other receivables of NT\$ 2,244 thousand.

(9) Property, plant and equipment

	Land					Leasehold	Other	Construction	
	Land	Improvement	Building	Machinery	Vehicle	improvement	facilities	in progress	Total
Cost:									
As of Jan. 1, 2017	\$3,071,692	\$940	\$3,098,131	\$1,123,652	\$12,275	\$7,090	\$322,598	\$52,047	\$7,688,425
Additions	-	120	17,664	44,753	1,805	27,574	32,435	361,609	485,960
Disposals	(15,777)	-	(1,515)	(79,043)	(1,071)	-	(3,838)	-	(101,244)
Transfers	-	914	57,088	80,349	-	-	(6,061)	(102,023)	30,267
Ex. Diff.	-	-	(4,104)	(2,594)	(36)	(29)	(215)	-	(6,978)
As of Dec. 31, 2017	<u>\$3,055,915</u>	<u>\$1,974</u>	<u>\$3,167,264</u>	<u>\$1,167,117</u>	<u>\$12,973</u>	<u>\$34,635</u>	<u>\$344,919</u>	<u>\$311,633</u>	<u>\$8,096,430</u>
As of Jan. 1, 2016	\$3,060,144	\$1,926	\$2,115,913	\$1,096,275	\$10,349	\$7,300	\$275,085	\$478,646	\$7,045,638
Additions	-	-	13,097	20,950	2,898	-	40,162	227,983	305,090
Disposals	-	(986)	(1,843)	(18,050)	(714)	-	(4,443)	-	(26,036)
Transfers	11,548	-	1,000,197	42,280	-	-	13,185	(654,582)	412,628
Ex. Diff.	-	-	(29,233)	(17,803)	(258)	(210)	(1,391)	-	(48,895)
As of Dec. 31, 2016	<u>\$3,071,692</u>	<u>\$940</u>	<u>\$3,098,131</u>	<u>\$1,123,652</u>	<u>\$12,275</u>	<u>\$7,090</u>	<u>\$322,598</u>	<u>\$52,047</u>	<u>\$7,688,425</u>
Accumulated									
Depreciation:									
As of Jan. 1, 2017	\$-	\$427	\$509,156	\$865,226	\$7,330	\$5,470	\$216,439	\$-	\$1,604,048
Depreciation	-	260	109,818	65,890	1,360	4,591	36,145	-	218,064
Disposals	-	-	(1,285)	(71,770)	(964)	-	(3,594)	-	(77,613)
Ex. Diff.	-	-	(1,003)	(2,273)	(30)	(11)	(168)	-	(3,485)
As of Dec. 31, 2017	<u>\$-</u>	<u>\$687</u>	<u>\$616,686</u>	<u>\$857,073</u>	<u>\$7,696</u>	<u>\$10,050</u>	<u>\$248,822</u>	<u>\$-</u>	<u>\$1,741,014</u>

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As of Jan. 1, 2016	\$-	\$1,270	\$438,810	\$813,202	\$7,236	\$3,761	\$184,657	\$-	\$1,448,936
Depreciation	-	143	79,766	85,418	997	1,793	36,898	-	205,015
Disposals	-	(986)	(1,843)	(17,255)	(642)	-	(3,804)	-	(24,530)
Ex. Diff.	-	-	(7,577)	(16,139)	(261)	(84)	(1,312)	-	(25,373)
As of Dec. 31, 2016	\$-	\$427	\$509,156	\$865,226	\$7,330	\$5,470	\$216,439	\$-	\$1,604,048

Net carrying amount

as of:

Dec. 31, 2017	\$3,055,915	\$1,287	\$2,550,578	\$310,044	\$5,277	\$24,585	\$96,097	\$311,633	\$6,355,416
Dec. 31, 2016	\$3,071,692	\$513	\$2,588,975	\$258,426	\$4,945	\$1,620	\$106,159	\$52,047	\$6,084,377

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

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

- b. Please refer to Note 8 for details on property, plant and equipment under pledge.
- c. For the purpose of urban planning, Taoyuan City Government has expropriated the Company's partial land and land improvement in accordance with the Land Expropriation Act. The expropriation has been completed in 2017 and the Company was entitled to a compensation of NT\$109,274 thousand. The net amount of the compensation and the carrying amount in NT\$15,777 thousand of land and land improvement de-recognized was NT\$93,497 thousand, recorded under the caption of other incomes. Please refer to Note 6(23) for more details.

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(10) Investment property, net

	Land	Building	Investment Properties under construction	Total	Accumulated depreciation	Net
As of Jan. 1, 2017 and						
As of Dec. 31, 2017	\$185,985	\$-	\$-	\$185,985	\$-	\$185,985
As of Jan. 1, 2016 and						
As of Dec. 31, 2016	\$185,985	\$-	\$-	\$185,985	\$-	\$185,985

- a. No investment property was pledged.
- b. Investment properties held by the Group are not measured at fair value while its fair value disclosed in accordance with the Group policy. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties held by the Group is NT\$247,831 thousand and NT\$247,692 thousand, as of December 31, 2017 and 2016, respectively. The fair value has been determined based on the publicly announced current land value, and building value.
- c. The investment property - land listed above includes a piece of agricultural land in amount of NT\$5,600 thousand, which has been acquired due to a settlement of doubtful accounts by the Company but registered under the name of the Company's chairman, Mr. Tseng. The Company has obtained a guaranteed note amounting NT\$5,600 thousand from Mr. Tseng for security purpose.

(11) Intangible assets

	Computer software	Trademark	Total
Cost:			
As of Jan. 1, 2017	\$16,627	\$15,049	\$31,676
Addition-acquired separately	2,415	-	2,415
As of Dec. 31, 2017	\$19,042	\$15,049	\$34,091
As of Jan. 1, 2016	\$13,955	\$-	\$13,955
Addition-acquired separately	2,672	15,049	17,721
As of Dec. 31, 2016	\$16,627	\$15,049	\$31,676

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	Computer software	Trademark	Total
Accumulated Amortization:			
As of Jan. 1, 2017	\$2,751	\$2,290	\$5,041
Amortization	2,682	3,926	6,608
As of Dec. 31, 2017	<u>\$5,433</u>	<u>\$6,216</u>	<u>\$11,649</u>
As of Jan. 1, 2016	\$760	\$-	\$760
Amortization	1,991	2,290	4,281
As of Dec. 31, 2016	<u>\$2,751</u>	<u>\$2,290</u>	<u>\$5,041</u>
Net carrying amount as of:			
Dec. 31, 2017	<u>\$13,609</u>	<u>\$8,833</u>	<u>\$22,442</u>
Dec. 31, 2016	<u>\$13,876</u>	<u>\$12,759</u>	<u>\$26,635</u>

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

	For the year ended December 31,	
	2017	2016
General administrative expenses	<u>\$6,608</u>	<u>\$4,281</u>

(12) Short-term borrowings

	Interest Rates (%)	As of December 31,	
		2017	2016
Unsecured bank loans	0.98%~1.10%	\$200,000	\$-
Secured bank loans	0.99%	100,000	\$50,000
		<u>\$300,000</u>	<u>\$50,000</u>

The Group's unused short-term lines of credits amount to NT\$1,750,000 thousand and NT\$1,526,200 thousand as of December 31, 2017 and 2016, respectively.

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

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(13) Other Payables

	As of December 31,	
	2017	2016
Bonus to direct sellers	\$858,166	\$879,100
Salaries and incentive bonus	125,426	119,247
Bonus to employees	254,218	237,155
Bonus to directors and supervisors	64,609	63,877
Other accrued expenses	112,857	98,191
Payables on equipment	125,378	204,039
Accrued VAT payable	65,895	74,581
Others	11,710	10,023
Total	<u>\$1,618,259</u>	<u>\$1,686,213</u>

(14) Other current liabilities

	As of December 31,	
	2017	2016
Sales revenue received in advance	\$83,085	\$42,309
Unearned rent	5,256	5,478
Provisions for sales returns and allowances	2,831	7,500
Other current liabilities-other	59,906	119,381
Total	<u>\$151,078</u>	<u>\$174,668</u>

Provisions for sales returns and allowances

	Sales Returns and Allowances
As of January 1, 2017	<u>\$7,500</u>
Write off	<u>(4,669)</u>
As of December 31, 2017	<u>\$2,831</u>

	Sales Returns and Allowances
As of January 1, 2016	<u>\$-</u>
Additions	<u>7,500</u>
As of December 31, 2016	<u>\$7,500</u>

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	As of December 31,	
	2017	2016
Current	\$2,831	\$7,500
Non-current	-	-
Total	\$2,831	\$7,500

Sales returns and allowances

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

(15) Bonds payable

	As of December 31,	
	2017	2016
Domestic convertible bonds	\$171,207	\$168,981
Less: current portion	(171,207)	-
Net	\$-	\$168,981

a. Domestic convertible bonds payable

	As of December 31,	
	2017	2016
Liability component:		
Principal amount	\$172,100	\$173,200
Interest Payable Refund from Bond Conversion	1,294	1,302
Premiums (discounts) on bonds payable	(2,187)	(5,521)
Subtotal	171,207	168,981
Less: current portion	(171,207)	-
Net	\$-	\$168,981
Embedded derivative – Redemption	\$69	\$87
Equity component – Convertible	\$7,792	\$7,842

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For the details of the gain or loss from valuation through P/L on embedded derivative — redemption right and the interest expense on the domestic convertible bonds payable, please refer to Note 6(23) to the consolidated financial statements.

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

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

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

(c) Secured or unsecured: Unsecured bonds.

(d) Terms of Exchange:

- ① Underlying Securities: Common shares of the Company
- ② Exchange Period: The bonds are exchangeable at any time on or after September 27, 2015 and prior to August 26, 2018 into common shares of the Company except closed period.
- ③ Exchange Price and Adjustment: The exchange price was originally NT\$170.5 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

Because the cash dividends - common stock, distributed on 2016, were higher than 1.5% of current per share, the conversion price should be adjusted in accordance with 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.

- ④ Redemption 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.

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(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. There were NT\$ 827,900 thousand and NT\$ 826,800 thousand bonds payable converted into shares as of December 31, 2017 and 2016 respectively.

(16) Long-term loan

Details of long-term loan as of December 31, 2017 and 2016 are as follows:

Lenders	As of Dec. 31, 2017	Interest Rate (%)	Maturity and Terms
Secured Long-Term Loan from ChangHwa Commercial Bank	\$186,195	1.44%	Effective May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due monthly.
Secured Long-Term Loan from Taiwan Cooperative Bank	364,449	1.44%	Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly.
Subtotal	550,644		
Less: current portion	(31,974)		
Total	<u>\$518,670</u>		

Lenders	As of Dec. 31, 2016	Interest Rate (%)	Maturity and Terms
Secured Long-Term Loan from ChangHwa Commercial Bank	\$500,000	1.44%	Effective May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due monthly.
Secured Long-Term Loan from Taiwan Cooperative Bank	486,610	1.44%	Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly.

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Secured Long-Term Loan from Mega International Commercial Bank	-	-%	Note1
Subtotal	<u>986,610</u>		
Less: current portion	<u>(43,087)</u>		
Total	<u><u>\$943,523</u></u>		

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

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

(17) Other noncurrent liabilities

	As of December 31,	
	<u>2017</u>	<u>2016</u>
Other long-term payables	\$16,032	\$17,203
Accrued pension liabilities	3,540	12,522
Guarantee deposit received	23,382	20,869
Other noncurrent liabilities-other	<u>54,560</u>	<u>61,287</u>
Total	<u><u>\$97,514</u></u>	<u><u>\$111,881</u></u>

(18) Operating leases

Operating lease commitments – Group as lessor

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 December 31, 2017, Shanghai Grape King has received prepaid rents, recorded under the caption of advances received, for the period of eight years and three months. The movement schedule of prepaid rents is listed as follows:

	As of December 31,	
	<u>2017</u>	<u>2016</u>
Beginning balance of prepaid rent	\$63,855	\$72,052
Prepaid rent added in current period	10,832	14,661
Rent income recognized in current period	(16,039)	(17,832)
Exchange difference	<u>(928)</u>	<u>(5,026)</u>
Ending balance of prepaid rent	<u><u>\$57,720</u></u>	<u><u>\$63,855</u></u>

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Advances received for operating leases are as follows:

	As of December 31,	
	2017	2016
Other current liabilities	\$4,777	\$5,478
Other non-current liabilities-other	52,943	58,377
Total	<u>\$57,720</u>	<u>\$63,855</u>

Operating lease commitments – Group as lessee

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

	As of December 31,	
	2017	2016
Within one year	\$44,551	\$47,238
From one year to five years	80,303	105,220
Total	<u>\$124,854</u>	<u>\$152,458</u>

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

Operating lease expenses recognized are as follows:

	2017	2016
Minimum lease payments	<u>\$59,559</u>	<u>\$47,207</u>

(19) Post-employment benefits

Defined contribution plan

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

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Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 were NT\$25,370 thousand and NT\$18,946 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the years ended December 31, 2017 and 2016 were NT\$832 thousand and NT\$1,187 thousand, respectively.

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

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

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As of December 31, 2017, the Company plans to contribute NT\$ 3,825 thousand to the funds under its defined benefit scheme during the following fiscal year.

As of December 31, 2017 and 2016, the maturities of the Company's defined benefit plan were expected in 2029 and 2028 and the detail information is listed as below.

Pension costs recognized in profit or loss were as follows:

	For the year ended December 31,	
	2017	2016
Current period service costs	\$675	\$761
Net interest of defined benefit liability (asset)	157	426
Total	\$832	\$1,187

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

	As of		
	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Defined benefit obligation	\$33,401	\$39,068	\$45,295
Plan assets at fair value	(29,859)	(26,546)	(9,482)
Other non-current liabilities – net defined benefit liability	\$3,542	\$12,522	\$35,813

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2016.1.1	\$45,295	\$9,482	\$35,813
Current service cost	761	-	761
Interest expense(revenue)	591	165	426
Past service cost and settlement	-	-	-
Total	46,647	9,647	37,000
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	-	-	-
Actuarial gain/loss due to change in	(1,050)	-	(1,050)

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financial assumptions			
Experience adjustments	452	-	452
Re-measurement on defined benefit assets	-	(14)	14
Total	(598)	(14)	(584)
Benefits paid	(6,981)	-	(6,981)
Contributions by employer	-	16,913	(16,913)
Effect of exchange rate	-	-	-
2016.12.31	39,068	26,546	12,522
Current service cost	675	-	675
Interest expense(revenue)	591	434	157
Past service cost and settlement	-	-	-
Total	40,334	26,980	13,354
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	-	-	-
Actuarial gain/loss due to change in financial assumptions	1,003	-	1,003
Experience adjustments	4,086	-	4,086
Re-measurement on defined benefit assets	-	(178)	178
Total	5,089	(178)	5,267
Benefits paid	(12,022)	(560)	(11,462)
Contributions by employer	-	3,617	(3,617)
Effect of exchange rate	-	-	-
2017.12.31	\$33,401	\$29,859	\$3,542

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

	As of December 31,	
	2017	2016
Discount rate	1.25%	1.50%
Expected rate of salary increases	2.00%	2.00%

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Sensitivity analysis:

	For the year ended December 31,			
	2017		2016	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	\$-	\$(808)	\$-	\$(1,005)
Discount rate decrease by 0.25%	845	-	1,050	-
Expected salary level increased by 0.25%	836	-	1,042	-
Expected salary level decreased by 0.25%	-	(804)	-	(1,002)

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

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

(20) Equities

(a) Common stock

The Company had 150,000 thousand authorized shares of which 135,221 thousand shares and 135,214 thousand shares were issued, as of December 31, 2017 and 2016, respectively, each at par value of NT\$10. Each share possesses one voting right and a right to receive dividends.

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

During 2017, the unsecured convertible bonds in amount of NT\$1,100 thousand were converted into 6,849 common shares at par value of NT\$69 thousand. These shares have not yet been legally registered for the capital change as of December 31, 2017. While the Board has resolved in a meeting held on January 26, 2018 the measurement date to be at February 22, 2018.

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(b) Capital reserve

	As of December 31,	
	2017	2016
Treasury share transactions	\$4,363	\$4,363
Convertible bonds—share option	7,792	7,842
Additional paid-in capital	788,091	787,016
Total	\$800,246	\$799,221

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

(c) Treasury stock

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

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B. Dividend policy

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

C. Legal reserve

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

D. Special reserve

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

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

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

	Dividend per share	
	Appropriation of earnings	(in NT\$)
	2016	2016
Legal reserve	\$129,677	
Common stock – cash dividend	862,120	6.4

As of the issuance date of 2017 financial statements, the Company's Board of Directors did not propose 2017 earnings distribution yet.

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

- F. Pro-Partner's 2017 earnings distribution and dividends per share has been proposed in its Board of Directors meeting held on February 8, 2018 and 2016's were approved in its annual shareholders' meeting held on April 27, 2017. Related information were summarized as follows.

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

- G. Non-controlling interests

	For the year ended December 31,	
	2017	2016
Beginning balance	\$974,937	\$741,347
Profit attributable to non-controlling interests :		
Net income	582,791	590,151
Cash dividends to non-controlling interests	(424,881)	(356,527)
Actuarial gains and losses on defined benefit	(121)	(34)
Ending balance	\$1,132,726	\$974,937

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(21) Operating revenue

	For the year ended December 31,	
	2017	2016
Sale of goods	\$8,444,320	\$8,559,406
Revenue arising from rendering of services	943,808	624,401
Other operating revenue	-	1,214
Total	<u>\$9,388,128</u>	<u>\$9,185,021</u>

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

	For the year ended December 31,					
	2017			2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries & wages	\$200,441	\$690,063	\$890,504	\$175,608	\$646,498	\$822,106
Labor and health insurance	15,959	28,736	44,695	12,846	24,674	37,520
Pension	14,121	12,081	26,202	10,006	10,127	20,133
Other employee benefits	7,760	18,311	26,071	6,562	20,929	27,491
Depreciation	132,969	85,095	218,064	128,698	76,317	205,015
Amortization	-	6,608	6,608	-	4,281	4,281

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

Based on profit of the year ended December 31, 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 to be 8% of profit of the current year and 2% of profit of the current year, respectively, recognized as employee benefits expense and remuneration to directors and

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supervisors. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 amount to NT\$127,470 thousand and NT\$31,867 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 amount to NT\$123,322 thousand and NT\$30,831 thousand, respectively. If the Board of Directors resolves to distribute employee compensation through stock, the number of stock distributed is calculated based on total employee compensation dividend by the closing price of the day before the Board of Directors meeting.

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

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

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.'s distributions of employee compensation and remuneration to directors for 2016 amounting NT\$79,314 thousand and NT\$99,142 thousand approved by the Board of Directors were consistent with the amounts recognized.

Pro-partner Inc.'s distributions of employee compensation and remuneration to directors for 2017 amounting NT\$78,579 thousand and NT\$98,224 thousand approved by the Board of Directors were consistent with the amounts recognized.

(23) Non-operating incomes and expenses

(a) Other incomes

	For the year ended December 31,	
	2017	2016
Rental revenue	\$18,513	\$21,660
Interest income from bank deposits	4,632	3,432

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Dividend revenue	2	2
Compensation income due to land expropriation	93,497	-
Other Income	61,289	84,896
Total	<u>\$177,933</u>	<u>\$109,990</u>

(b) Other gains and losses

	For the year ended December 31,	
	2017	2016
Loss from disposal of fixed assets	\$(7,138)	\$(601)
Foreign exchange loss, net	(2,535)	(611)
Gain from financial assets at fair value through P/L	723	1,472
Others	(229)	(66)
Total	<u>\$(9,179)</u>	<u>\$194</u>

(c) Finance costs

	For the year ended December 31,	
	2017	2016
Imputed interest on deposit	\$224	\$169
Interest on borrowings from bank	14,035	18,168
Interest on bonds payable	3,320	13,370
Total	<u>\$17,579</u>	<u>\$31,707</u>

(24) Components of other comprehensive income

For the year ended December 31, 2017

	Arising during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not reclassified to profit or loss:			
Measure on defined benefit plans	\$(5,267)	\$926	\$(4,341)
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating the financial statements of foreign operations	(8,399)	-	(8,399)
Total	<u>\$(13,666)</u>	<u>\$926</u>	<u>\$(12,740)</u>

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For the year ended December 31, 2016

	Arising during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not reclassified to profit or loss:			
Measure on defined benefit plans	\$584	\$(99)	\$485
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating the financial statements of foreign operations	(26,599)	-	(26,599)
Total	<u>\$(26,015)</u>	<u>\$(99)</u>	<u>\$(26,114)</u>

(25) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2017	2016
Current income tax expense (benefit):		
Current income tax charge	\$419,860	\$398,006
Estimated 10% income tax on unappropriated earnings	57,052	43,963
Adjustments in respect of current income tax of prior periods	(22,920)	-
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary difference	16,746	(16,390)
Total income tax expense	<u>\$470,738</u>	<u>\$425,579</u>

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Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2017	2016
Deferred tax expense (benefit):		
Exchange differences on translation of foreign operations	\$-	\$-
Premeasurement of defined benefit plans	(926)	99
Income tax relating to components of other comprehensive income	<u>\$(926)</u>	<u>\$99</u>

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

	For the year ended December 31,	
	2017	2016
Accounting profit (loss) before tax from continuing operations	<u>\$2,405,470</u>	<u>\$2,312,499</u>
Tax payable at the enacted tax rates	\$611,138	\$591,091
10 % surtax on undistributed retained earnings	57,052	43,963
Others	(171,449)	(155,112)
Adjustments in respect of current income tax of prior periods	(22,920)	-
Tax effect of deferred tax assets/liabilities	(20,885)	(50,738)
Reversal of uncertain tax position upon finalization	17,802	(3,625)
Total income tax expense (income) recognized in profit or loss	<u>\$470,738</u>	<u>\$425,579</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2017

	Beginning balance as of Jan. 1, 2017	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2017
Temporary differences				
Unrealized revaluation	\$(68,463)	\$-	\$-	\$(68,463)
Employee benefit payable	241	(8)	-	233
Allowance for uncollectible accounts	485	66	-	551
Subsidy revenue	16,527	(16,527)	-	-
Unrealized of Inventory scrap	42	(42)	-	-
Provisions for sales returns and allowances	1,275	(1,275)	-	-
Non-current liability – Defined benefit Liability	259	6	-	265
Actuarial gains or losses on defined benefits plan	(701)	-	926	225
Unrealized intragroup profits and losses	3,444	1,034	-	4,478
Deferred tax income/ (expense)		<u>\$(16,746)</u>	<u>\$926</u>	
Net deferred tax assets/(liabilities)	<u>\$(46,891)</u>			<u>\$(62,711)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$22,381</u>			<u>\$5,752</u>
Deferred tax liabilities	<u>\$(69,272)</u>			<u>\$(68,463)</u>

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For the year ended December 31, 2016

	Beginning balance as of Jan. 1, 2016	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2016
Temporary differences				
Unrealized revaluation	\$(68,463)	\$-	\$-	\$(68,463)
Employee benefit payable	241	-	-	241
Allowance for uncollectible accounts	205	280	-	485
Subsidy revenue	-	16,527	-	16,527
Unrealized of Inventory scrap	-	42	-	42
Provisions for sales returns and allowances	-	1,275	-	1,275
Non-current liability – Defined benefit Liability	2,603	(2,344)	-	259
Actuarial gains or losses on defined benefits plan	(602)	-	(99)	(701)
Unrealized intragroup profits and losses	2,834	610	-	3,444
Deferred tax income/ (expense)		<u>\$16,390</u>	<u>\$(99)</u>	
Net deferred tax assets/(liabilities)	<u>\$(63,182)</u>			<u>\$(46,891)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$5,973</u>			<u>\$22,381</u>
Deferred tax liabilities	<u>\$(69,155)</u>			<u>\$(69,272)</u>

The following table contains information of the unused tax losses of the Group:

Year	Tax loss for the period	Unused tax losses carry – forward as of December 31,		Maturity
		2017	2016	
2016	1,589	<u>\$1,589</u>	<u>\$-</u>	2026

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Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$29,775 thousand and NT\$51,044 thousand, respectively.

Imputation tax credit information

	As of December 31,	
	2017	2016
Balance of imputation tax credit		
The Company	\$228,305	\$177,187

The expected creditable ratio for 2017 and the actual for 2016 were 9.44% and 18.14%, respectively. However, effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be reduced to half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law. The expected creditable ratio for 2017 mentioned above is only for reference as it will become invalid based on the abolishment of Partially Imputation System on Integrated Income Tax due to an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018.

The Company's earnings generated in the year ended December 31, 1997 has been fully appropriated.

Tax assessment

As of December 31, 2017, the assessment from tax authority for the Company and Pro-partner Inc. are as follows.

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

(26) Earnings per share

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

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

	For the year ended	
	December 31,	
	2017	2016
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,351,941	\$1,296,769
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	134,743	131,988
Basic earnings per share (in NT\$)	\$10.03	\$9.82
	For the year ended	
	December 31,	
	2017	2016
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,351,941	\$1,296,769
Interest expense from convertible bonds (in thousand NT\$)	3,271	12,707
Gain or loss on valuation of redemption	18	528
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$1,355,230	\$1,310,004
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	134,743	131,988
Effect of dilution:		
Employee bonus—stock (in thousand shares)	752	763
Convertible bonds (in thousands shares)	1,044	4,112
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	136,539	136,863
Diluted earnings per share (in NT\$)	\$9.93	\$9.57

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There were no other transactions involving ordinary shares or potential ordinary shares between the completion date of the Company's consolidated financial statements.

(27) Subsidiary that has material non-controlling interests

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

Proportion of equity interest held by non-controlling interests:

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

Name	Country of Incorporation and operation	As of December 31,	
		2017	2016
Pro-partner	Republic of China	40%	40%

	As of December 31,	
	2017	2016
Accumulated balances of material non-controlling interest:		
Pro-partner	\$1,132,726	\$974,937

	For the year ended December 31,	
	2017	2016
P/L allocated to material non-controlling interest:		
Pro-partner	\$582,791	\$590,151

	For the year ended December 31,	
	2017	2016
Dividends paid to material non-controlling interest:		
Pro-partner	\$424,881	\$356,527

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

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Summarized information of profit or loss for the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31,	
	2017	2016
Operating revenue	\$8,050,198	\$8,169,428
Profit/loss from continuing operation	\$1,456,977	\$1,475,377
Total comprehensive income for the period	\$1,456,676	\$1,475,290

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

	As of December 31,	
	2017	2016
Current assets	\$1,404,149	\$1,467,175
Non-current assets	3,567,526	3,548,077
Current liabilities	(1,617,545)	(1,631,003)
Non-current liabilities	(522,315)	(946,907)

Summarized cash flow information for the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31,	
	2017	2016
Operating activities	\$1,483,572	\$1,738,734
Investing activities	(37,847)	(113,470)
Financing activities	(1,480,560)	(1,397,599)
Net increase/(decrease) in cash and cash equivalents	(\$34,835)	227,665

7. Related party transactions

(1) Name of related party and the relation

Name of related party	Relation with the Group
Laifu Limited Company (Laifu)	Related party in substance
Pu Hsing Enterprise Co., Ltd.(Pu Hsing)	A director of Pro-partner

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Taipei City Pro-partner Technology and Human Development Foundation (referred to "Pro-partner Foundation" thereafter)	Pro-partner is its sole founder.
Integrate Chinese Medicine Holdings Ltd.	Supervisor of Pro-partner
Chi-Sheng Chang	A supervisor of the Company
Chang-Yeh Tseng	The Chairman of Pro-partner
Mei-Jing Tseng	General manager of Pro-partner
Pu-Lin Ltd. (Pu-Lin)	Related party in substance of Pro-partner (NOTE)

NOTE: Please refer to Note 9(3).

(2) Significant transactions with related parties

a. Sales

	For the year ended December 31,	
	2017	2016
Laifu	\$(338)	\$33,244
Pu Hsing	1,343	1,337
	<u>\$1,005</u>	<u>\$34,581</u>

The above mentioned parties are the exclusive distributors for beverage products of the Company, and the Multi-level marketing (MLM) members of the subsidiaries. The sales price for the other related parties was determined based on mutual consent and the price for the third-party MLM member customers. There is no significant difference regarding the terms and conditions for the other related parties and for the third-parties.

b. Amounts owed by related parties

	As of December 31,	
	2017	2016
Laifu	\$-	\$2,907
Less: allowance for doubtful debts	-	-
Net	<u>\$-</u>	<u>\$2,907</u>

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c. Other payables to related parties

	As of December 31,	
	2017	2016
Pu Hsing	\$16,402	\$16,555
Integrate Chinese Medicine Holdings Ltd.	16,371	16,524
	<u>\$32,773</u>	<u>\$33,079</u>

d. Temporary Receipts

	As of December 31,	
	2017	2016
Mei-Jing Tseng	\$17,607	\$-

e. Sales and marketing expenses – commission

	For the year ended December 31,	
	2017	2016
Pu Hsing	<u>\$386</u>	<u>\$381</u>

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

f. General and administrative expenses – rental

	For the year ended December 31,	
	2017	2016
Pu-Lin	\$4,198	\$4,198
Chi-Sheng Chang	1,440	1,320
Chang-Yeh Tseng	1,440	1,320
Other related parties	-	2
	<u>\$7,078</u>	<u>\$6,840</u>

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

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g. General and administrative – donations

	For the year ended December 31,	
	2017	2016
Pro-partner Foundation	\$500	\$300

h. Revenue from rental assets

	For the year ended December 31,	
	2017	2016
Laifu	\$-	\$2,700
Pu Hsing	12	12
Pro-partner Foundation	11	11
	\$23	\$2,723

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.

i. Key management personnel compensation

	For the year ended December 31,	
	2017	2016
Short-term employee benefits	\$118,816	\$108,701
Post-employment benefits	260	256
Total	\$119,076	\$108,957

8. Assets pledged as collaterals

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

Assets pledged	As of December 31,	
	2017	2016
Property, plant and equipment-land	\$1,921,301	\$2,121,928
Property, plant and equipment-building	1,032,702	1,055,355
Other financial assets- pledged time deposits	4,460	4,460
Total	\$2,958,463	\$3,181,743

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9. Commitments and contingencies

- (1) The Company's guarantee notes issued to banks for credit lines amounted to NT\$250,000 thousand.
- (2) The Company entered into a contract for plant and machinery. Total contract amount is NT\$ 1,055,000 thousand while NT\$795,900 thousand remained unpaid as of December 31, 2017.
- (3) For operational needs, Pro-partner has to establish operational bases in Taipei, Taoyuan, Hsinchu, Fengyuan, Taichung, Kaohsiung, Pingzhen, Jhongli, Hualien and Tainan. All offices, except for Taipei operational center which is a business building purchased and owned by Pro-partner, were leased from others. The information concerning the operating leases sustained as of December 31, 2017 is listed below:

Operation Sites	Lessor	The lease term	Monthly rental
Taipei City	Uni-President Enterprises Corporation	2013.5.1~2018.6.30	NT\$570
Taipei City	Concept Business Center Ltd.	2017.5.1~2018.4.30	20
Taoyuan City	Taoyuan Irrigation Association	2016.11.9~2019.11.8	180
Hsinchu City	Lin, Zhuang-Long, Wu, Yi-Wan	2016.11.1~2021.10.31	320
Fengyuan Dist.	Lin, Fen-Ling	2017.6.1~2020.5.31	70
Taichung City	Pu-Lin Ltd. (NOTE)	2007.11.1~2027.11.1	220
Taichung City	Pu-Lin Ltd. (NOTE)	2010.4.1~2030.3.31	129
Kaohsiung City	The Company	2018.1.1~2020.12.31	236
Pingzhen Dist.	The Company	2017.4.1~2018.3.31	48
Chungli Dist.	The Company	2017.4.1~2022.3.31	1
HuaLian City	Liou, Chuen-Hou, Liou, Chuen-Lung	2017.9.1~2019.8.31	130
Tainan City	Cathay Life Insurance Company, Ltd.	2016.3.21~2021.7.31	799

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.

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- (4) Pro-partner Inc. has purchased the software rights of the cloud version of the direct marketing information management system from WELLAN SYSTEM CO., LTD., in August 2016. The total contract price is in amount of NT\$19,780 thousand to be paid in 24 installments during the period of 2 years. As of December 31, 2017, the software system mentioned above was not completed yet.
- (5) Pro-partner Inc. has entered into certain agreements for computer software and hardware leasing and maintenance contracts on February 1, 2008. Pro-partner Inc. also has entered into additional software leasing and maintenance contracts for logistics management on January 1, 2013 with "FINE EAGLE INVESTMENTS LIMITED" for the services provided by WELLAN SYSTEM CO., LTD., The general manager of Pro-partner Inc. has paid the related commission in amount of \$17,607 thousand to Pro-partner on behalf of "FINE EAGLE INVESTMENTS LIMITED" due to an Investigation Bureau case against her. As the investigation is not yet finalized, Pro-partner recorded the payment under the caption of temporary receipts. Pro-partner will either return the payment or reclassify it for proper account based on the Court's decision.
- (6) In December 2016, the Company was affected by news events suspected of changing label on overdue goods. As this case is in interrogation by authority, it is not feasible to reasonably assess the impact of the event on the Company as of the issuance date of the consolidated financial statements.

10. Losses due to major disasters

None.

11. Significant subsequent events

Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. The Company's deferred tax asset would be increased by NT\$1,015 thousand subsequently in 2018 as a result of the tax rate change.

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12. Financial instruments

(1) Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	2017	2016
<u>Financial asset at fair value through P/L:</u>		
Held for trading	\$70,307	\$346,062
Designated financial asset at fair value through P/L	69	87
Total	\$ 70,376	\$346,149
Available-for-sale financial assets (including financial asset measured at cost)	28,028	28,028
<u>Loans and receivables:</u>		
Cash and cash equivalents (excluding cash on hand)	1,916,951	1,895,115
Debt investments without active market	184,535	47,845
Notes receivable	5,753	5,098
Accounts receivable	154,616	196,383
Accounts receivable – related parties	-	2,907
Other receivables	6,111	4,056
Subtotal	2,267,966	2,151,404
Total	\$2,366,370	\$2,525,581
<u>Financial liabilities</u>	As of December 31,	
	2017	2016
<u>Financial liabilities at amortized cost:</u>		
Short-term loans	\$300,000	\$50,000
Notes payable	7,207	11,335
Accounts payable	316,108	186,737
Other payables	1,618,259	1,686,213
Other payables – related parties	32,773	33,079
Bonds payable	171,207	168,981
Long-term loans (current portion included)	550,644	986,610
Other long-term payables	16,032	17,203
Total	\$3,012,230	\$3,140,158

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(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

The 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:

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When NTD strengthens/weakens against foreign currency USD by 10%, the profit before tax for the years ended December 31, 2017 and 2016 is decreased/increased by NT\$9,227 thousand and NT\$11,867 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments with variable interest rates. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit before tax for the years ended December 31, 2017 and 2016 to increase/decrease by NT\$1,251 thousand and NT\$906 thousand, respectively.

Equity price risk

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

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

At the reporting date, a change of 5% in the net asset value of the monetary fund held for trading could increase/decrease the Group's profit before tax for the years ended December 31, 2017 and 2016 by NT\$3,519 thousand and NT\$17,303 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.

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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 years ended 2017 and 2016. Therefore, the credit risk is insignificant.

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

(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 Dec. 31, 2017</u>						
Carried at amortized cost						
Short-term loans	\$300,193	\$-	\$-	\$-	\$-	\$300,193
Notes payable	6,513	694	-	-	-	7,207
Accounts payable	316,108	-	-	-	-	316,108
Other payables	1,444,845	206,187	-	-	-	1,651,032
Bonds payable (current portion included)	-	171,207	-	-	-	171,207

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Long-term loans (current portion included)	20,093	20,413	40,825	122,476	423,877	627,684
Long-term payables	-	-	-	-	16,032	16,032

As of Dec. 31, 2016

Carried at amortized cost

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

(6) Fair values of financial instruments

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

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

- The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- 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

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such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

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

	Book value		Fair value	
	2017.12.31	2016.12.31	2017.12.31	2016.12.31
Financial liabilities:				
Bonds payable	\$-	\$168,981	\$-	\$169,597
Current portion of bonds payable	171,207	-	171,876	-

(c) Fair value measurement hierarchy for financial instruments

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

(7) Derivative financial instruments

The Group's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2017 and 2016 is as follows:

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Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(15) for further information on this transaction.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 - Unobservable inputs for the asset or liability

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

(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 December 31, 2017

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

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As of December 31, 2016

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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2017 and 2016, there were no transfers 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 is as follows:

	Assets
	At fair value through profit or loss
Beginning balances as of January 1, 2017	\$87
Convertible for the year ended December 31, 2017	-
Total gains and losses recognized for the year ended December 31, 2017:	
Amount recognized in profit or loss (presented in "other profit or loss")	(18)
Ending balances as of December 31, 2017	\$69
	Assets
	At fair value through profit or loss
Beginning balances as of January 1, 2016	\$2,373
Convertible for the year ended December 31, 2016	(1,758)
Total gains and losses recognized for the year ended December 31, 2016:	
Amount recognized in profit or loss (presented in "other profit or loss")	(528)
Ending balances as of December 31, 2016	\$87

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Total gains and losses recognized in profit or loss for the years ended December 31, 2017 and 2016 in the table above contain gains and losses related to assets on hand as of December 31, 2017 and 2016 in the amount of NT\$(18) thousand and NT\$(528) 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 December 31, 2017

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

As of December 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through profit or loss					
Embedded derivatives	Option pricing model	Volatility	31.94%	The higher the volatility, the higher the fair value of the embedded derivatives.	1% increase (decrease) in the volatility would not impact on the Group's profit or loss.

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

As of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(10))	<u>\$-</u>	<u>\$-</u>	<u>\$247,831</u>	<u>\$247,831</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(15))	<u>\$-</u>	<u>\$-</u>	<u>\$171,876</u>	<u>\$171,876</u>

As of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(10))	<u>\$-</u>	<u>\$-</u>	<u>\$247,692</u>	<u>\$247,692</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(15))	<u>\$-</u>	<u>\$-</u>	<u>\$169,597</u>	<u>\$169,597</u>

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(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below: (In Thousands)

	As of December 31, 2017			As of December 31, 2016		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$4,319	29.84	\$128,880	\$4,409	32.03	\$141,233
<u>Financial liabilities</u>						
Monetary items:						
USD	\$1,227	29.83	\$36,610	\$705	32.03	\$22,566

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

The Company's functional currency is variety. It is not practical to disclose the foreign exchange gains or losses on monetary financial assets and financial liabilities for each currency with significant influence. In summary, foreign exchange gains or losses of the Company amounted to NT\$(2,535) thousand and NT\$(611) thousand, respectively, for the years ended December 31, 2017 and 2016.

(10) Capital management

The objective of Company's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Company's capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Company plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. Then the Company calculates the required working capital and cash, based on industry characteristics, and estimate the possible product margins, operating margin and cash flow. In order to determine the most appropriate of the Company's capital structure, taking into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

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As of December 31, 2017 and 2016, the debt ratios of the Group are listed below:

	As at December 31,	
	2017	2016
Total liabilities	\$3,563,684	\$3,766,807
Total capital	\$9,891,656	\$9,549,756
Debt ratio	36.03%	39.44%

13. Other disclosure

(1) Information at significant transactions

- a. Financing provided to others for the year ended December 31, 2017: None.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2017: Please refer to attachment 1.
- c. Securities held as of December 31, 2017 (excluding subsidiaries, associates and joint venture): Please refer to attachment 2.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2017: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2017: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2017: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2017: Please refer to attachment 3.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2017: Please refer to attachment 6.

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- i. Financial instruments and derivative transactions: None.
- j. Intercompany relationships and significant intercompany transaction: Please refer to attachment 7.

(2) Information on investees

A. Names, locations and related information of investees as of December 31, 2017 (excluding the investment in Mainland China): Please refer to attachment 4.

B. Information at significant transactions

- a. Financing provided to others for the year ended December 31, 2017: Please refer to attachment 5.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2017: None.
- c. Securities held as of December 31, 2017 (excluding subsidiaries, associates and joint venture): Please refer to attachment 2.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2017: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2017: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2017: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2017: Please refer to attachment 3.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2017: None.
- i. Financial instruments and derivative transactions: None.

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(3) Information on investments in mainland China :

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

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated Investment Outflows from Taiwan as of January 1, 2017	Investment Flows		Accumulated Investment Outflows from Taiwan as of December 31, 2017	Net Income (Loss) of Investee Company	Percentage of Direct or Indirect Ownership	Investment Profit(Loss) Recognized of December (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
					Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise							
Shanghai Grape King Enterprise Co., Ltd.	Manufacturing and selling capsule, tablet, related products and services.	US\$27,900 thousand	(Note 1(2)) (Note 3)	\$847,672 (USD 27,350 thousand)	\$-	\$-	\$847,672 (USD 27,350 thousand)	\$166,463 (Note 2) (2)B	100%	\$167,297 (Note 2(2)B)	\$580,892	\$-
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	US\$4,890 thousand	(Note 1(2)) (Note 4)	\$26,794 (USD 878 thousand)	\$-	\$-	\$26,794 (USD 878 thousand)	\$- (Note 2(3))	18.77%	\$- (Note 2(3))	\$28,008	\$-

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Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	US\$150 thousand	(Note 1 (2)) (Note 5)	\$-	\$4,060 (USD 150 thousand)	\$-	\$4,060 (USD 150 thousand)	\$(241) (Note 2(3))	100%	\$(241) (Note 2(3))	\$4,419	\$-
Accumulated investment in Mainland China as at December 31, 2017				Investment amounts authorized by Investment Commission, MOEA		Upper limit on investment						
\$878,526				\$878,526		\$3,796,783						

Note 1: The methods for engaging in investment in Mainland China include the following:

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

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

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

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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).

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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 December 31, 2017 and 2016, the Company had the following segments: MLM (Multi-level marketing), Distributors, and OEM (Original Equipment Manufacturer).

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

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

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

(1) Income (loss), for reportable segment:

For the year ended December 31, 2017

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination	Consolidated
Revenue						
External customer	\$8,050,198	\$297,460	\$1,040,470	\$9,388,128	\$-	\$9,388,128
Inter-segment	1,417,487	117,758	12,199	1,547,444	(1,547,444)	-
Total revenue	<u>\$9,467,685</u>	<u>\$415,218</u>	<u>\$1,052,669</u>	<u>\$10,935,572</u>	<u>\$(1,547,444)</u>	<u>\$9,388,128</u>
Interest expenses	\$17,137	\$369	\$73	\$17,579	\$-	\$17,579
Depreciation and amortization	\$202,842	\$5,828	\$15,736	\$224,406	\$266	\$224,672
Segment profit	<u>\$2,225,961</u>	<u>\$7,048</u>	<u>\$172,461</u>	<u>\$2,405,470</u>	<u>\$-</u>	<u>\$2,405,470</u>
Capital expenditure on non-current assets	\$698,747	\$24,414	\$53,612	\$776,773	\$-	\$776,773
Segment assets	<u>\$11,013,007</u>	<u>\$327,559</u>	<u>\$1,159,485</u>	<u>\$12,500,051</u>	<u>\$(2,608,395)</u>	<u>\$9,891,656</u>
Segment liabilities	<u>\$3,243,232</u>	<u>\$116,688</u>	<u>\$449,805</u>	<u>\$3,809,725</u>	<u>\$(246,041)</u>	<u>\$3,563,684</u>

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For the year ended December 31, 2016

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination	Consolidated
Revenue						
External customer	\$8,169,428	\$325,653	\$689,940	\$9,185,021	\$-	\$9,185,021
Inter-segment	1,427,275	129,443	2,542	1,559,260	(1,559,260)	-
Total revenue	<u>\$9,596,703</u>	<u>\$455,096</u>	<u>\$692,482</u>	<u>\$10,744,281</u>	<u>\$(1,559,260)</u>	<u>\$9,185,021</u>
Interest expenses	\$30,910	\$646	\$151	\$31,707	\$-	\$31,707
Depreciation and amortization	\$188,649	\$5,888	\$14,492	\$209,029	\$267	\$209,296
Segment profit	<u>\$2,133,867</u>	<u>\$15,889</u>	<u>\$162,743</u>	<u>\$2,312,499</u>	<u>\$-</u>	<u>\$2,312,499</u>
Capital expenditure on non-current assets	\$708,379	\$24,228	\$23,615	\$756,222	\$-	\$756,222
Segment assets	<u>\$10,657,959</u>	<u>\$317,487</u>	<u>\$850,884</u>	<u>\$11,826,330</u>	<u>\$(2,276,574)</u>	<u>\$9,549,756</u>
Segment liabilities	<u>\$3,648,606</u>	<u>\$122,713</u>	<u>\$265,169</u>	<u>\$4,036,488</u>	<u>\$(269,681)</u>	<u>\$3,766,807</u>

Remark 1:

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

- (2) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

(a) Revenue

	For the year ended December 31,	
	2017	2016
Total revenue from reportable segments	\$10,935,572	\$10,744,281
Other revenue	-	-
Elimination of inter-segment revenue	(1,547,444)	(1,559,260)
Total revenue	<u>\$9,388,128</u>	<u>\$9,185,021</u>

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(b) Profit or loss

	For the year ended December 31,	
	2017	2016
Total profit or loss for reportable segments	\$2,405,470	\$2,312,499
Other profit	-	-
Adjustment to post-employment benefits expense in consolidation	-	-
Profit (loss) before tax from continuing operations	<u>\$2,405,470</u>	<u>\$2,312,499</u>

(c) Assets

	As of December 31,	
	2017	2016
Total assets of reportable segments	\$12,500,051	\$11,826,330
Other Assets	-	-
Adjustment and Elimination	(2,608,395)	(2,276,574)
Segment assets	<u>\$9,891,656</u>	<u>\$9,549,756</u>

(d) Liabilities

	As of December 31,	
	2017	2016
Total liabilities of reportable segments	\$3,809,725	\$4,036,488
Other liabilities	-	-
Adjustment and Elimination	(246,041)	(269,681)
Segment liabilities	<u>\$3,563,684</u>	<u>\$3,766,807</u>

(e) Other material items

For the year ended December 31, 2017

	Reportable segments	Adjustments	Consolidated
Interest expenses	\$17,579	\$-	\$17,579
Capital expenditure on non-current assets	776,773	-	776,773
Depreciation and amortization	224,406	266	224,672

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

For the year ended December 31, 2016

	Reportable segments	Adjustments	Consolidated
Interest expenses	\$31,707	\$-	\$31,707
Capital expenditure on non-current assets	756,222	-	756,222
Depreciation and amortization	209,029	267	209,296

(3) Information about product and service

	For the year ended December 31,	
	2017	2016
Health food	\$8,031,180	\$8,206,235
Drink	239,809	228,934
OEM and ODM	927,279	624,401
Other	189,860	125,451
Total	<u>\$9,388,128</u>	<u>\$9,185,021</u>

(4) Geographical information

Revenue from external customers

	For the year ended December 31,	
	2017	2016
Taiwan	\$8,467,376	\$8,584,390
China	918,471	600,019
Other countries	2,281	612
Total	<u>\$9,388,128</u>	<u>\$9,185,021</u>

The revenue information above is based on the location of the customer.

Non-current assets:

	As of December 31,	
	2017	2016
Taiwan	\$6,597,345	\$6,174,858
China	366,050	347,530
Total	<u>\$6,963,395</u>	<u>\$6,522,388</u>

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese
Grape King Bio Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Information about major customers

There were no individual customers whose sales were accounted for at least 10% of net sale for the year ended December 31, 2017.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the year ended December 31, 2017

ATTACHMENT 1

Endorsements or guarant	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Party(Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsemen t/Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
	Name	Company Name										
0 (Note 1)	Grape King Bio Ltd.	Shanghai Grape King Enterprise	\$2,139,380	\$93,930	\$-	\$93,930	\$93,930	1.98%	\$2,282,005	Y	N	Y

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

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

1. business related parties.
2. A company in which the public company directly holds more than 50 percent of ordinary shares.
3. The investee company with more than 50% of the shares held by the parent company and its subsidiaries.
4. The parent company directly holds more than 50% of the ordinary shares of the company or through subsidiaries indirectly hold more than 50% of the ordinary shares of the company.
5. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
6. A company whose co-investment relationship is endorsed by its shareholders in proportion to their shareholding ratio.

Note3 : According to the Company's "Endorsement Procedures", the total amount of the guarantees endorsed by the Company is limited to 48% of the net value of the Company's most recent financial statements. The guarantee limit for endorsement of a single enterprise is limited to 45% of the net value of the most recent financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Grape King Bio Ltd. and Subsidiaries

Securities held as of December 31, 2017 (excluding investments in subsidiaries, associates and joint venture)

ATTACHMENT2

Company Held Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company	Financial Statement Account	31-Dec-17 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)			Note
				Shares/Units	Carrying Value (Note 2)	Percentage of Ownership	
Grape King Bio Ltd.	Stock	-	Financial assets carried at cost, noncurrent	917,700.00	\$28,008	18.77%	28,008
		-	Financial assets carried at cost, noncurrent	2,000.00	20	-	20
					\$28,028		\$28,028
Pro-partner Inc.	Fund	-	Financial assets at fair value through profit or loss, current	2,167,437.66	\$35,162		\$35,162
		-	Financial assets at fair value through profit or loss, current	2,115,225.39	35,145		35,145
					\$70,307		\$70,307

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

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

Note3 : The numbers listed represent the book value.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2017

ATTACHMENT3

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

Company Name	Related Party	Nature of Relationships	Transaction Details			Abnormal Transaction(Note1)		Notes/Accounts Payable or Receivable		Note	
			Purchases/Sales	Amount	Percentage of total Purchases (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance		Percentage of total receivables (payable)
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	\$1,417,487	80.08%	Net 30 days after monthly closing	By contract	-	\$128,084	59.35%	2
Grape King Bio Ltd.	Rivershine Ltd.	Subsidiary	Sales	\$117,758	6.65%	Net 120 days after monthly closing	By contract	-	\$51,914	24.05%	2
Pro-partner Inc.	Grape King Bio Ltd	Parent Company	Purchases	\$1,417,487	100.00%	Net 30 days after monthly closing	By contract	-	\$(128,084)	97.00%	2
Rivershine Ltd.	Grape King Bio Ltd	Parent Company	Purchases	\$117,758	100.00%	Net 120 days after monthly closing	By contract	-	\$(51,914)	100.00%	2

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

Note 2 : The transactions have been eliminated in the consolidated financial statement.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Grape King Bio Ltd. and Subsidiaries

Names, locations and related information of investees as of December 31, 2017 (excluding the investment in Mainland China)

ATTACHMENT 4

Investor	Investee	Location	Main Business	Original Investment Amount		Balance as of December 31, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				As of December 31, 2017	As of December 31, 2016	Shares	Percentage of Ownership	Book Value			
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI)	BVI	Investment activities	\$1,198,018	\$1,198,018	24,890,000	100.00%	\$632,347	\$112,121 (Note1)	Subsidiary	
	Pro-partner Inc.	Taoyuan City, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	10,560,000	60.00%	1,681,309	874,386 (Note1)	Subsidiary	
	Rivershine Ltd.	Taoyuan City, Taiwan	Import and selling of health food, drink, daily commodities, appliances, etc.	30,000	30,000	3,000,000	100.00%	28,411	15,888	Subsidiary	
		Total									
									\$1,002,395		

Note 1 : The effect from the unrealized profit of the downstream transactions on income tax, which is NT\$1,034 thousand has been adjusted.

Note 2 : The book value at the end of the period and the current investment gain(loss) recognized have been eliminated in the consolidated financial statement.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Financing provided to others for the year ended December 31, 2017

ATTACHMENT 5

NO.	Capital Provider	Capital Receiver	Financial Statement Account	Related Party	Maximum Balance for the Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)	Amount Actually Drawn (US\$ in Thousands)	Interest Rate	Nature of capital (Note1)	Transaction Amounts	Reason for short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI)	Shanghai Grape King Enterprise Co., Ltd.	Long-term Accounts Receivable-Related Parties	YES	\$112,063 (US\$3,475 thousand)	\$-	\$-	-	b	-	Business turnover	-	-	\$2,377,089 (Note2)	\$2,377,089 (Note2)	

Note1 : Nature for financing

a. business related parties.

b. Those with need for short-term financing.

Note2 : The Company holds, directly or indirectly, 100% of the voting shares, the limit of total financing amount and limit for each borrowing company shall not exceed 50% of the amount of the net value of the Company of Dec. 31, 2017.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2017

ATTACHMENT 6

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	\$128,084	10.65	\$-	-	\$128,084	\$-

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Intercompany relationships and significant intercompany transaction for the year ended December 31, 2017

ATTACHMENT 7

No. (Note 1)	Company Name	Counterparty	Nature of Relations (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Revenue or Total Assets (Note 3)
				Financial Statements Item	Amount	Terms	
0	Grape King Bio Ltd.	Pro-partner Inc.	1	Sales	\$1,417,487	The price by contract	15.10%
0	Grape King Bio Ltd.	Pro-partner Inc.	1	Accounts Receivable	\$128,084	The price by contract	1.29%
0	Grape King Bio Ltd.	Rivershine Ltd.	1	Sales	\$117,758	The price by contract	1.25%
0	Grape King Bio Ltd.	Rivershine Ltd.	1	Accounts Receivable	\$51,914	The price by contract	0.52%

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

Note 2: There are three types of relations between the parent company and the subsidiaries. Only categories should be identified. (There is no need to declare the same interaction between the parent company and the subsidiary, or the same transaction among subsidiaries repeatedly. For example, if the parent company has declared the transaction from parent company to subsidiary, the subsidiary need not repeatedly declare the same transaction. If the transaction is between subsidiaries, when one subsidiary has declared the transaction, the other subsidiary doesn't need to declare the same transaction.)

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

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

(3) represents the transactions between subsidiaries.

Note 3: When calculating the amount of transaction as a proportion of the consolidated revenue or assets, if it is recognized as items of assets or liabilities, the ending balance should be divided by the consolidated assets; if it is recognized as income or loss, the midterm accumulated amount should be divided by the consolidated.

Note 4: The so-called significant transaction refers to those amount reaching NT\$100 million or over 20% of the paid-in capital of the parent company.

- 5. If the Company and its affiliates encountered any financial difficulties in the most recent year and as of the date of publication of the annual report, please describe their impact on the financial status of the Company: Nil.**

1. Financial Status

Main reasons for significant changes in assets, liabilities and equity in the last two years and their impact:

Unit: NT\$ thousand; %

Year Item	December 31, 2017	December 31, 2016	Difference	% of change
Current assets	2,890,021	2,970,564	(80,543)	(2.71%)
Property, plant and equipment	6,355,416	6,084,377	271,039	4.45%
Intangible assets	22,442	26,635	(4,193)	(15.74%)
Other assets	623,777	468,180	155,597	33.23%
Total assets	9,891,656	9,549,756	341,900	3.58%
Current liabilities	2,879,037	2,473,150	405,887	16.41%
Long-term liabilities	518,670	1,112,504	(593,834)	(53.38%)
Other liabilities	165,977	181,153	(15,176)	(8.38%)
Total liabilities	3,563,684	3,766,807	(203,123)	(5.39%)
Common stock	1,352,211	1,352,142	69	0.01%
Additional paid-in capital	800,246	799,221	1,025	0.13%
Retained earnings	3,168,454	2,682,853	485,601	18.10%
Other components of equity	(34,603)	(26,204)	(8,399)	(32.05%)
Treasury stock	(91,062)	-	(91,062)	(100.00%)
Non-controlling interests	1,132,726	974,937	157,789	16.18%
Total equity	6,327,972	5,782,949	545,023	9.42%

Analysis and description (for the changes of 20% or more, and the changes with an amount of NT\$10 million or more):

- i. Other assets: Mainly due to an increase in prepayments for producing equipment and machinery in 2017.
- ii. Long-term liabilities: Mainly due to (1) Conversion of domestic convertible corporate bonds due within one year which is transferred to current liabilities, and (2) the subsidiary Pro Partner's repayment of its long-term borrowings.
- iii. Other components of equity: Mainly due to an exchange gain in long-term foreign equity investment in 2017 in the translation of the financial statements of foreign operating organizations.
- iv. Treasury stock: Mainly due to share buyback as Treasury shares in 2017.

2. Financial Performance

Main reasons for significant changes in operating income, net operating profit and pre-tax net profit in the last two years, sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan:

Unit: NT\$ thousand; %

Item	Year	2017	2016	Difference	% of change
Operating revenues		9,388,128	9,185,021	203,107	2.21%
Operating costs		(1,523,444)	(1,265,989)	(257,455)	20.34%
Gross profit		7,864,684	7,919,032	(54,348)	(0.69%)
Operating expenses		(5,610,389)	(5,685,010)	74,621	(1.31%)
Operating income		2,254,295	2,234,022	20,273	0.91%
Non-operating income and expenses		151,175	78,477	72,698	92.64%
Income from continuing operations before income tax		2,405,470	2,312,499	92,971	4.02%
Income tax expense		(470,738)	(425,579)	(45,159)	10.61%
Net income		1,934,732	1,886,920	47,812	2.53%
Other comprehensive income		(12,740)	(26,114)	13,374	(51.21%)
Total comprehensive income		1,921,992	1,860,806	61,186	3.29%
Net profit attributable to the Stockholders of the parent		1,351,941	1,296,769	55,172	4.25%
Net profit attributable to non-controlling interests		582,791	590,151	(7,360)	(1.25%)
Total comprehensive income (loss) attributable to the Stockholders of the parent		1,339,322	1,270,689	68,633	5.40%
Total comprehensive income (loss) attributable to non-controlling interests		582,670	590,117	(7,447)	(1.26%)

Analysis and description (for the change of 20% or more, and the amount of change of NT\$10 million or more):

- i. Operating costs: Mainly due to a growth in the OEM performance with higher OEM cost ratio in 2017.
- ii. Non-operating income and expenses: Mainly due to the recognition of Taoyuan Municipal Government's road widening subsidy in 2017.
- iii. Other comprehensive income: Mainly due to a increase in the currency conversion difference of the financial statements of the Company's long-term foreign equity investment in 2017.

3. Cash Flow

(1) Cash flow analysis for the current year:

Unit: NT\$ thousand; %

Beginning cash balance (1)	Net cash flow from operating activities throughout the year (2)	Net cash flow from investment and financing activities throughout the year (3)	Cash surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment plan	Financing plan
1,899,302	2,495,656	(2,474,461)	1,920,497	-	-

Item	Year		
	December 31, 2017	December 31, 2016	% of change
Operating activities	2,495,656	2,803,128	(10.97%)
Investment activities	(908,299)	(808,738)	12.31%
Financing activities	(1,561,516)	(1,526,560)	2.29%

Analysis and description:

- i. The net cash inflow from operating activities decreased over the previous year, mainly due to a higher Incentive bonus and income tax paid, and the compensation income for land acquisition in compliance with the Taoyuan Municipal Government's urban plan in 2016.
- ii. The net cash outflow from investment activities increased over the last year, mainly due to the growth of the Shanghai subsidiary's income, increasing bank deposits through debt instrument instruments without an active market.
- iii. The net cash outflow from financing activities increased over previous year mainly due to an increase in cash dividends paid in 2017.

(2) Analysis of cash flow in the coming year

Unit: NT\$ thousand

Beginning cash balance (1)	Net cash flow from operating activities throughout the year (2)	Net cash flow forecast for the year (3)	Cash surplus (Deficit) forecast (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment plan	Financing plan
1,920,497	2,303,904	(2,692,744)	1,531,657	-	-

Analysis and description:

- i. The forecasted net cash inflow from operating activities is mainly due to the continued business growth and an increase in revenue.
- ii. The forecasted net cash outflow for the whole year is mainly due to an increase in the capital expenditure of the plants and equipment in Longtan, and the decoration of the Neihu office building.

(3) Remedy for a lack of liquidity: There will be no cash shortage.

4. Impact of Major Capital Expenditure in the Past Year on the Financial Status

The Company built the Longtan Plant, and made the final payment for the Pingzhen Plant and the sightseeing factory for the Company's capacity increase, product development and day-to-day operational needs. The amount of property, plant and equipment purchased by the Company in 2017 was NT\$800 million, and the source of funds was mainly its own funds. This has no significant impact on the Company's financial operations.

5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year

(1) Reinvestment policy in the past year: Nil.

(2) Main reasons for profit or loss and improvement plan:

The Company's main reinvestment businesses are as follows:

i. Pro-Partner Co., Ltd.

(i) The net income was NT\$1,456,977 thousand in 2017, and the Company holds 60% of its shares. The profit recognized was NT\$874,186 thousand.

(ii) Pro-Partner Co., Ltd. mainly sells health food products of the Company. In recent years, the concept of health care has become popular, and the related products of the Company are effective and widely recognized by consumers, thus generating a good business performance.

ii. Shanghai Grape King Enterprise Co., Ltd. (100% owned by BVI GRAPE KING INTERNATIONAL INVESTMENT INC)

(i) The net income was NT\$166,463 thousand in 2017.

(ii) Shanghai Grape King Enterprise Co., Ltd. mainly focuses on OEM and ODM orders. As the health food demand increases in various sales channels such as direct sales and e-commerce, it is actively soliciting OEM orders, and in the future it will continue cooperating with its parent company in Taiwan to increase the business volume.

iii. Rivershine Ltd.

(i) The net income was NT\$15,888 thousand in 2017.

(ii) Rivershine Ltd. mainly sells the beverage and health care products of the Company. It is actively expanding its physical channels and increase marketing partners.

iv. Shanghai Yi Zhao Trading Co., Ltd. (100% owned by BVI GRAPE KING INTERNATIONAL INVESTMENT INC)

(i) The net loss was NT\$241 thousand in 2017.

(ii) Shanghai Yi Zhao Trading Co., Ltd. mainly sells the health care products of the Company.

The reason for the loss is that it was still in preparatory period in 2017, and the performance is not yet satisfactory. It will continue expanding its physical channels and increase marketing partners.

(3) Investment plan in the coming year: It is estimated that RMB 5 million will be invested in the Dongguan subsidiary for the launch of offline and online product sales.

6. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report

- (1) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future counter measures:
 - i. Interest rate changes: The interest rate risk of the Company and its subsidiaries mainly comes from bank loans. The interest expense of bank loans in 2017 was 0.58% of the pre-tax net profit. Therefore, interest rate changes have little effect on the profit and loss of the Company. In the future the Company will adjust its use of funds in response to interest rate changes.
 - ii. Exchange rate changes: The business of the Company and its subsidiaries mainly depends on the local market and raw materials, and less on imported raw materials and exports. Therefore, the ratios of foreign currency assets to total assets and foreign currency liabilities to total liabilities are small, and the impact of exchange rate changes on the Company is limited.
 - iii. Inflation: The price indices of the places where the Company and its subsidiaries operate are stable, and there has been no significant inflation. The Company will keep paying attention to the fluctuation of prices in various places and take timely measures to minimize the impact
- (2) Policies of engagement in high-risk and highly leveraged investments, loans to others, endorsements and guarantees and derivative trading, main reasons for profit or loss and future counter measures:
 - i. Engagement in high-risk and highly leveraged investments and derivative trading: Nil.
 - ii. Endorsements and guarantees: In 2017 and as of now in 2018, the Company's principal objects of endorsements and guarantees are its 100% owned subsidiaries, and the procedures are carried out pursuant to the Company's "Procedures for Endorsements and Guarantees".
 - iii. Loans to others: In 2017 and as of now in 2018, the Company's principal objects of loans are its 100% owned subsidiaries, and the procedures are carried out pursuant to the Company's "Procedures for Loans to Others".
- (3) Future R&D projects and estimated R&D expenses: Due to social changes and a declining birthrate and an aging society, there has been an increasing number of unmarried people, and the pet market has become increasingly popular. The Company's future R&D projects are expected to focus on the development of healthcare products for anti-aging, stress relief, sleep quality improvement and pet healthcare, and will include studies of intestinal microbiology after taking lactic acid bacteria, and intestinal bacteria of pets after taking probiotics, and the third type of safety assessment and testing as well as functional development of new materials. The human clinical research cases include lactic acid bacteria for reducing body fat, prevention of Parkinson's disease, and hearing loss improvement for the elderly. The estimated investment amount in 2018 is NT\$69,522 thousand.
- (4) The impact of important domestic and overseas policy and regulation changes on the financial status of the Company and counter measures: In recent years, food safety incidents have been frequent and the competent authorities have increased and strengthened the supervision measures in the food and pharmaceutical industries. As the Company has always been following the requirements of the competent authorities on its manufacturing and sale of products, the

impact on its financial status is not significant. In the future the Company will pay attention to the changes prescribed by the competent authorities in order to avoid any failure to meet new requirements.

- (5) The impact of technological and industrial changes on the financial status of the Company and counter measures: Nil.
- (6) The impact of corporate image change on the Company's crisis management and counter measures: Nil.
- (7) Expected benefits and possible risks of M&A and counter measures: Nil.
- (8) Expected benefits and possible risks of plant expansion: To meet business growth requirements, strengthen the competitive advantage and improve the production line in order to create a positive effect on the operating efficiency, The Company is constructing a new plant in Longtan Science Park which is expected to become operational at end of 2018, and the capacity expansion will cause an increase in the initial capital expenditures and subsequent operating costs. The Company therefore will evaluate industrial changes at all times to reduce operational risks.
- (9) The impact of concentration of purchase or sales and counter measures: The risk is not significant due to a lack of concentration of the Company's purchase and sales.
- (10) The impact of mass share transfer of or change of Directors, Supervisors or shareholders holding more than 10% of the Company's shares, the risks and counter measures: Nil.
- (11) The impact of the change of management on the Company, the risks and counter measures: Nil.
- (12) If there is any litigation or non-litigation, please list the significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's Directors, Supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates. If the result may have a significant impact on the shareholders' equity or the price of the Company's shares, please disclose the fact of the dispute, the claim amount, the date of commencement of the litigation, the principal litigants and the handling of the situation as of the date of publication of the annual report:

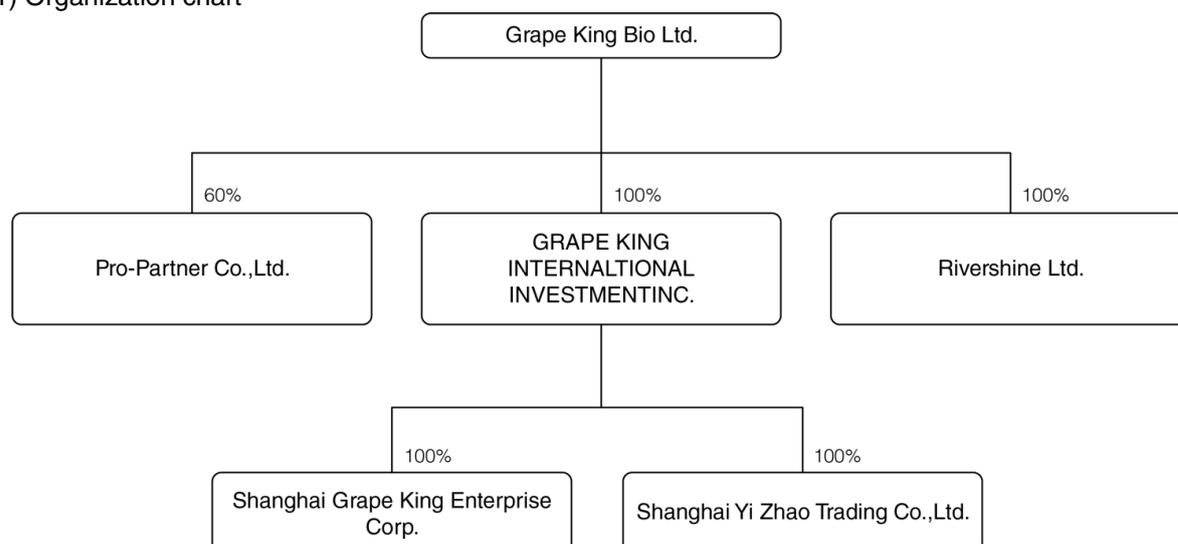
Litigation start date	Party	Amount involved	Fact	Current status
December 29, 2016	Andrew Tseng and 8 other people		On December 28, 2016, the media reported that the Company was suspected of the "effective period tampering event".	The Procuratorial Department of Taiwan Taipei District Court is investigating into it.
January 10, 2017	Mei-ching Tseng		On January 11, 2017, the media reported that the Company was suspected of the "fraud of emptying the company".	The Procuratorial Department of Taiwan Taipei District Court is investigating into it.

- (13) Other important risks and counter measures: Nil.

7. Other important matters: Nil

1. Information about the Company's Affiliates

(1) Organization chart



(2) Basic data of affiliates

Affiliate	Date of establishment	Address	Paid-in capital	Major business or products
Pro-Partner Co., Ltd.	October 22, 1993	1F, No. 1, Section 3 Longgang Road, Chungli District, Taoyuan City	NT \$176,000 Thousand	Food, beverage and cosmetics
GRAPE KING INTERNATIONAL INVESTMENT INC.	November 30, 1993	CITCO Building, Wickhams Cay Road Town Tortola B. V. I	US \$24,890 Thousand	Investment
Shanghai Grape King Enterprise Corp.	April 29, 1994	No. 518 Che Xin Road, Songjiang District, Shanghai, China	RMB \$216,775 Thousand	Health food, biotechnical products and related glass containers
Rivershine Ltd.	June 23, 2015	No. 60, Section 3 Longgang Road, Chungli District, Taoyuan City	NT \$30,000 Thousand	Wholesale and retail of food, beverage and daily necessities
Shanghai Yi Zhao Trading Co., Ltd.	November 11, 2016	build 4, No. 518, Che-Xin Road, Songjiang, Shanghai, China	RMB \$1,022 Thousand	Wholesale and retail of food, beverage and daily necessities

(3) Information about common shareholders of entities presumed to have a controlling and subordinate relationship: Nil.

(4) Overview of the operations of the affiliates (in 2017 and as of December 31, 2017)

Unit: NT\$ thousand

Affiliate	Capital	Total asset	Total liabilities	Total equity	Operating income	Gross profit	Net income	Earnings (loss) per share (NT\$) (after tax)
Pro-Partner Co., Ltd.	176,000	4,971,675	2,139,859	2,831,816	8,050,198	1,735,505	1,456,977	82.78
GRAPE KING INTERNATIONAL INVESTMENT INC.	791,983	634,854	-	634,854	-	(3,862)	111,287	-
Shanghai Grape King Enterprise Corp.	1,026,886	1,013,981	433,089	580,892	918,482	165,850	166,463	-
Rivershine Ltd.	30,000	104,328	75,917	28,411	196,733	15,832	15,888	5.3-
Shanghai Yi Zhao Trading Co., Ltd.	4,560	4,419	-	4,419	-	(58)	(241)	-

Note: The exchange rate on December 31, 2017: RMB/NTD=4.565; USD/NTD=29.76

The average exchange rate in 2017: RMB/NTD=4.506; USD/NTD=30.41

(5) Information about the directors, supervisors and general managers of the affiliates

December 31, 2017 Unit: thousand shares, %

Affiliate	Title	Name or representative	Shareholding	
			Share	%
Pro-Partner Co., Ltd.	Director	Grape King Bio Ltd. Representative: Chang-Yeh Tseng Representative: Andrew Tseng Representative: Sheng-Bin Tseng Representative: Na-Chen Chang	10,560	60
	Director	Pu Hsing Enterprise Co., Ltd. Representative : Mei-ching Tseng	880	5
	Supervisor	Shennong Shi Co., Ltd. Representative : Jin-Chao Lan	880	5
GRAPE KING INTERNATIONAL INVESTMENT INC.	Chairman Director Director	Andrew Tseng Chang-Yeh Tseng Sheng-Bin Tseng	-	-
Shanghai Grape King Enterprise Corp.	Chairman Director Supervisor	Chang-Yeh Tseng Andrew Tseng Sheng-Bin Tseng Cheng-An Lai	-	-
Rivershine Ltd.	Chairman Director Director	Grape King Bio Ltd. Representative: Andrew Tseng Representative: Mei-ching Tseng Representative: Zhijia Chang	3,000	100
	Supervisor	Grape King Bio Ltd. Representative: Chang-Yeh Tseng		
Shanghai Yi Zhao Trading Co., Ltd.	Executive Director Supervisor	Chang-Yeh Tseng Mei-ching Tseng	-	-

(6) Statement on the consolidated financial statements with the affiliates

The entities that are required to be included in the combined financial statements of Grape King Bio Ltd. as of December 31, 2017 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard(s) No.10, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Grape King Bio Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Grape King Bio Ltd.

By
Andrew Tseng
Chairman

February 22, 2018

2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report: Nil.

3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report: Nil.

4. Other Necessary Supplementary Notes: Nil.

IX

Matters in the Past Year and as of the Date of Publication of Annual Report Which Have a Substantial Impact on Owner's Equity or Share Price as Stipulated in item 2, Paragraph 2 of Article 36 of the Securities Exchange Law

IX. Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity or Share Price as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Law: Nil.



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www.grapeking.com.tw



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