

2018

GRAPE KING BIO

Corporate Social Responsibility Report



GRAPE KING BIO



Contents

Preface

About the Report	01
Chairman's Message	03
Grape King Bio Sustainable Development Blueprint	05
Value Chain	09
2018 Sustainability Performance ...	12
Communication with Stakeholders and Analysis of Material Topics	14

01

Ethical Corporate Governance

1.1 About Grape King Bio	23
1.2 Corporate Governance and Operations	27
1.3 Risk Management	34
1.4 Regulatory Compliance	36
1.5 Associations	38

02

Product Liability

2.1 Raw Material Management	42
2.2 Supply Chain Management	44
2.3 Food Safety Responsibilities ...	46
2.4 Accreditation and Professional Inspections	51

03

Innovation and R&D

3.1 Materials and R&D Capacity for Continuous Growth	56
3.2 Development of Diverse Products and Customized Services	57
3.3. Industry-Academia Collaboration Strengthens Connections between Local Industries	59
3.4. Customer Services	61

04

Happy Workplace

[Special Column] Talent Professional Competency Development Program	67
4.1 Talent Recruitment and Structure	68
4.2 Talent Cultivation	72
4.3 Employee Benefits and Care ..	76
4.4. Employee Healthcare	78
4.5 Occupational Safety	81
4.6 Employee Communication	84

05

Social Prosperity

5.1 Academic Participation	89
5.2 Community Development	90
5.3 Care for the Disadvantaged ...	92
5.4 Companionship and Assistance	92
5.5 Care for the Elderly	94

06

Green Environment

[Special Column] Energy Saving and Carbon Reduction	96
Environmental Management	97
6.1 Energy and Greenhouse Gas Management	98
6.2 Water Resource Management	100
6.3 Waste Management	104
6.4 Green Products	105

Appendix

Rules Governing the Preparation and Filing of Corporate	107
Social Responsibility Reports by TWSE Listed Companies	109
GRI Content Index (Core)	110
Material Topics related to Grape King Bio's core values	113



2018
Corporate Social
Responsibility Report

About the Report

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

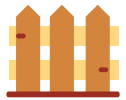
6 Green
Environment

Appendix



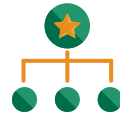
About the Report

This is the Corporate Social Responsibility (CSR) Report issued by Grape King Bio Inc. (hereinafter referred to as Grape King Bio, the Company, or we) in 2019. This Report discloses our achievements in the CSR material topics to different stakeholders in an open and transparent manner. This Report is divided into sections for Sustainable Blueprint, Ethical Corporate Governance, Product Liability, Innovation and R&D, Happy Workplace, Social Prosperity, and Green Environment. We hope this Report can express our commitment to the vision we desire for and enable stakeholders to understand our efforts and resolve for sustainable development.



Scope of this Report

The information disclosed in this Report is based on Grape King Bio in Taiwan, including our Pingzhen Headquarters, Zhongli Plant, Zhongli Logistics Center, Taipei Sales & Marketing Division, Grape King Health and Vitality Power Center (Visitors Center), and Longtan Biotech Research Institute. It includes Grape King Bio's organization in Taiwan. In the future, we will gradually expand the scope to include Rivershine Co. Ltd., Pro-Partner Co., Ltd., and Shanghai Grape King Bio Enterprises Corp. to provide more comprehensive information disclosure.



Company Information within the Reporting Scope

Pingzhen Head Office	No. 402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City	+886-3-457-2121
Zhongli Plant	No.60, Sec. 3, Longgang Rd., Zhongli Dist., Taoyuan City	+886-3-457-2125
Zhongli Logistics Center	No. 466, Sec. 2, Xinsheng Rd., Zhongli Dist., Taoyuan City	+886-3-453-2121
Taipei Sales & Marketing Division	11F, No. 18, Jinzhuang Rd., Neihu Dist., Taipei City	+886-2-2790-3011
Grape King Health and Vitality Power Center	No. 402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City	+886-3-271-2121
Longtan Biotech Research Institute	No. 68, Longyuan 1st Rd., Longtan Dist., Taoyuan City	+886-3-499-3090



Independent Assurance

The Grape King Bio CSR Report's assurance engagement has been planned and performed in accordance with Statements of Assurance Engagements Standards No. 1 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" by Ernst & Young. Ernst & Young provides limited assurance on the completeness and accuracy of the claims and performance data presented in the 2018 CSR report based on GRI Standards: Core Option. The result of limited assurance has been effectively communicated with Grape King Bio's management. For detailed scope and results of the assurance, please see the Independent Assurance Statement in the Appendix.



Reporting Structure

This Report is based on the Global Reporting Initiative (GRI) Standards: Core Option and the AA1000 (2008) standard, with the disclosed financial data derived from the public annual report information audited by independent certified public accountants.



Disclosure and Publication

Grape King Bio has been voluntarily issuing the "Grape King Bio Corporate Social Responsibility Report" each year since 2014. The Report has been published for 5 consecutive years. The reporting period for information disclosure is from January 1, 2018 to December 31, 2018. Parts of past records and future plans are included to fully disclose related CSR information.



Feedback and Contact Information

If you have any questions regarding the 2018 Grape King Bio CSR Report, you are welcome to contact us through the information listed below and help us improve.

Grape King Bio Inc. Corporate Social Responsibility Committee

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Website: <https://www.grapeking.com.tw/en/contact>



To protect the environment, this Report is only published digitally.

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2018
Corporate Social
Responsibility Report

Chairman's
Message

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



Chairman's Message

Chairman's Message

As Grape King Bio heads into its 50th Anniversary year I am pleased to inform Shareholders, Stakeholders and Employees that our operations are running smoothly and our business continues to grow. 2018 saw Grape King Bio CSR Committee reach out to, engage with an even wider scope of charities and social organizations than ever before. Once again we used the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI Standards), giving Shareholders and Stakeholders a transparent understanding of Grape King Bio's role in Corporate Social Responsibility and sustainable development. I personally feel incredibly proud of my colleagues for volunteering 1,603 hours of their time to local and national CSR activities, and for also raising and donating NT\$2,000,000 to help victims of the Hualien Earthquake in 2018.

In addition to the hard work everyone put into 2018 CSR activities, a couple more highlights I would like to mention are the following: our list of Health and Safety, Manufacturing and Environmental Responsibility certifications continued to grow with the addition of ISO14001 and now includes: PIC/S GMP, ISO 22000, HACCP, NSF

GMP, TQF, Halal, FSSC 22000, ISO/IE17025, TAF, OHSAS18001 and TOSHMS, expressing our commitment to being a socially responsible company. We also invested NT\$20 million to deal with reducing waste water and improve air quality around the factories. Furthermore we proactively responded to the government's Energy Saving & Carbon Reduction Program in 2018 by appointing Energy Saving Ambassadors and implementing the "2018 Energy Saving & Carbon Reduction Project." The project team managed to reduce the Company's electricity consumption by 5%, exceeding the 1% standard set by the Bureau of Energy of the Ministry of Economic Affairs.

The opening, in February 2019, of the Grape King Bio Biotech Research Institute will enhance the spirit of innovation and development of our company to provide consumers with even better product experiences. Our certification goals for 2019 will be to obtain PDCA management and ISO 50001 Energy Management System in order to strengthen our commitment to ensuring the environment is protected for the next generation. "Live Healthy, Think Grape King."





2018

Corporate Social
Responsibility Report

Sustainable
Development
Blueprint

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



Grape King Bio Sustainable Development Blueprint

Sustainable Development Goals and Commitment

Grape King Bio has always been committed to more than just Corporate Governance and operational performance. We have continuously moved towards our goals of creating a sustainable environment and social welfare. We adhere to our commitment to Stakeholders and aim to use systematic mechanisms to strengthen the management of Corporate Social Responsibilities. "Contribute and build a better future for society" is our core CSR value. With this vision we have been able to become one of the leaders of the Taiwan health food industry and hope to build a better society with our continuous dedication.

Grape King Bio upholds a "people-oriented" core corporate culture and has established the Company's sustainable development blueprint under the framework of Grape King Bio's core values of "Technology, Health, and Hope". Grape King Bio's sustainable development divided into six main categories including "Innovation and R&D," "Ethical Governance," "Product Liability," "Happy Workplace," "Social Prosperity," and "Green Environment". We aim to develop corporate sustainable development strategies based on these six major categories and we will continue to advance Grape King Bio's sustainable development based on this blueprint in the next three years. These strategies are implemented and managed based on their performance for the environment, society, and Corporate Governance to expand the influence of the Company.



Focus on energy and resource management Build a friendly operating environment

- Full mobilization of employees for energy conservation & carbon reduction
- Introduction of environmental management mechanisms and systems for new plants
- Continuous reduction of the environmental impact incurred from the operating process

SDGs : 13



Continuously invest in local communities and give back to the society Create a prosperous society with positive impact

- Academic participation and strengthening competitiveness of future key talents
- Community development and providing local assistance and caring
- Care for the disadvantaged and providing resources and assistance
- Companionship and assistance for the purpose of improve quality of life
- Caring for the elderly and their needs

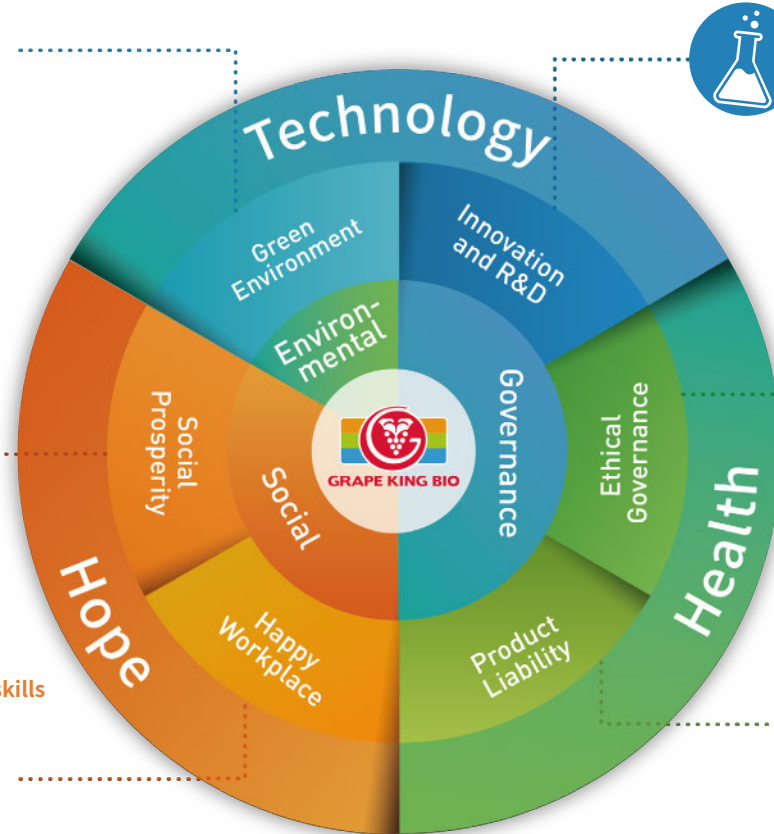
SDGs : 4、10



Integrate talents who share the same values Assign appropriate roles for talents and cultivate professional skills

- Expanding diverse recruitment channels
- Inventory skills and position talents
- Providing employees with necessary skill-oriented training courses
- Building a happy work environment
- Paying attention to and improving employees' health and workplace safety

SDGs : 3、10



Conduct market and customer-oriented innovation and R&D Improve brand competitiveness and develop customer service

- Development of key materials and intensive research on the effectiveness of existing materials
- Market-oriented product R&D
- Localized customer service in Taiwan
- Innovative marketing strategies and building Grape King Bio's professional image
- Academic and research collaboration for strengthening connections between the academia and the local industries

SDGs : 4、9



Adopt a business philosophy of ethics and integrity Establish stable operations and expansion of overseas markets

- Governance unit's focusing on ethical management
- Management procedures superior to regulatory requirements
- Regular risk assessment and management
- Regular internal audits and control
- Establishing a solid market for overseas expansion

SDGs : 8



Rigorous scrutiny on our products to ensure food safety Persist on producing high-quality, healthy, and safe products

- Comprehensive management for the production process and product quality
- Inspection standards superior to regulatory requirements
- Systematic tracking and traceability mechanisms
- Stringent sanitation and quality standards
- Enhancing traceability management regarding suppliers and materials

SDGs : 3、8、12

Response to the United Nations Sustainable Development Goals

The United Nations developed a set of 17 Sustainable Development Goals (SDGs) in 2015 for guidance towards sustainable development plan by 2030. The environmental, economic, and social goals seek to guide the international society to create a more sustainable world. In 2018, Grape King Bio continued our practices adopted in the previous year and fully reviewed the connection between the Company's actions and SDGs. To ensure the effectiveness of our contributions and to evaluate the impact of current operations on SDGs, we link them with our sustainable strategies in the hope of gradually establishing corresponding measures in order to fulfill our commitment to SDGs.

	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
Grape King Bio's Actions	<p>Grape King Bio has adopted "Live Healthy, Think Grape King" as the core corporate mission.</p> <p>We have developed diverse health promotion activities for our employees to protect their health.</p> <p>We have developed and improved multiple health food products for external stakeholders to improve their quality of life and improve the health and welfare of the entire society.</p>	<p>We effectively utilized our advanced knowledge in biology and technologies for close industry-academia collaboration and internship opportunities in order to pass on experience to young students.</p> <p>We hope that our contributions can help students obtain the necessary knowledge and skills and achieve sustainable education.</p>	<p>Grape King Bio has built a secure work environment through the establishment of clear talent management strategies and regulations with the aim of providing young people and disadvantaged social groups with opportunities for work.</p> <p>We also protect labor rights and have created a comprehensive and productive work environment. The economic and employment impact of Grape King Bio has also been expanded our impacts on nearby areas through local procurement in specified minimum proportions. We share the economic benefits created by the Company to advance the employment development and economic growth of the overall region.</p>	<p>Grape King Bio provides consumers with comprehensive care for their health and integrated the society's concerns for chronic diseases of affluence, the aging society, and the increase in consumer health awareness to provide suitable and effective products that form the basis of Grape King Bio's R&D.</p> <p>We also integrate the fermentation technologies of the Biotechnology Center and material development to provide diverse nutrition supplements in order to create a healthy and sustainable society.</p>	<p>Grape King Bio resolutely opposes any form of inequality or discrimination. We, therefore, establish related policies and actions to gradually strengthen equality.</p>	<p>The rigorous control of product safety is our commitment to consumers. In addition to the implementation of quality management and the inspection system, our products have undergone</p> <ol style="list-style-type: none"> 1. product certification and inspections; 2. health regulations and related training; 3. product traceability and management. <p>In the future, we aim to continue to follow market trends and develop high-quality products that meet the health requirements of consumers and the expectations of society.</p>	<p>As a benchmark in the domestic biotechnology sector, Grape King Bio actively advances energy conservation and carbon reduction tasks with the aim of combating climate change with all sectors. We established six major management policies to implement Grape King Bio's social responsibilities and commitments: perform compliance obligations, reduce hazardous risks, implement environmental protection, build a friendly work environment, advance full participation from employees, and improve sustainable cycles.</p>
Actual Performance in 2018	<ul style="list-style-type: none"> Professional medical specialists provide services for 2 hours at the plant once each month. The Company invested NT\$1,044 thousand in employee health management in 2018 and organized 23 health promotion activities with a total of 2,245 participants. We effectively reduced the proportion of employees with irregular body mass index (BMI) to 25%. Grape King Bio provides health food products that are suitable and effective for different consumer groups based on the nutrients they lack and specific functional substances. We developed a total of 135 new products in 2018, and 13 were mass produced. 	<ul style="list-style-type: none"> There were 28 industry-academia collaboration projects in 2018, and the total agreement amount exceeded NT\$30 million. The Company published a total of 20 journal papers, 19 symposium papers, and 5 PROCEEDINGS. 72 people participated in the Grape King Bio Internship Program. 	<ul style="list-style-type: none"> EPS in 2018 was NT\$9.57. The cash dividends distribution rate was 68.13%. The ratio of local procurement was 59% in 2018. 	<ul style="list-style-type: none"> We developed 7 Technology Development Policy projects with the Department of Industrial Technology and the Industrial Development Bureau of the Ministry of Economic Affairs. We developed approximately 40 industry-academia cooperative research projects with the Ministry of Science and Technology, Council of Agriculture, Ministry of Education, and colleges and universities We currently hold 55 patents. We filed 25 patent applications in 2018 and obtained 8 patents. We developed 147 new products in 2018. 	<ul style="list-style-type: none"> As of 2018, we had sponsored the studies of 22 students from poor families. We sponsored 5 school club activities to encourage diverse development for students. We achieved a 1:1 ratio for both the starting salary and value of benefits for male and female employees. 	<ul style="list-style-type: none"> We implemented raw materials inspections, and the overall qualification rate was 91.12%. 100% of the 202 suppliers passed the annual audit. 100% of the production line obtained certification. We invested NT\$29,310,628 in food safety management and control. 100% of all products were produced on production lines that received international food safety and health management certification. 100% of the source materials of our products can be traced through the internal ERP system. 	<ul style="list-style-type: none"> We invested NT\$3,412,500 in environmental protection and management. We advanced the "2018 Energy Saving & Carbon Reduction Project" and reduced 296,450kg of carbon emissions. We installed solar panels which generated approximately 6,663kWh of electricity each year and reduced CO₂ emissions by approximately 3,691kg each year.
Corresponding Chapter	2.3 Food Safety Responsibilities 4.4. Employee Healthcare	3.3. Industry-Academia Collaboration Strengthens Connections between Local Industries 5.1 Academic Participation	1.2 Corporate Governance and Operations 2.2 Raw Material Management	3.1 Materials and R&D Capacity for Continuous Growth 3.2 Development of Diverse Products and Customized Services	4.1 Talent Recruitment and Structure 5.1 Academic Participation	2.3 Food Safety Responsibilities 2.4 Accreditation and Professional Inspections	6. Green Environment

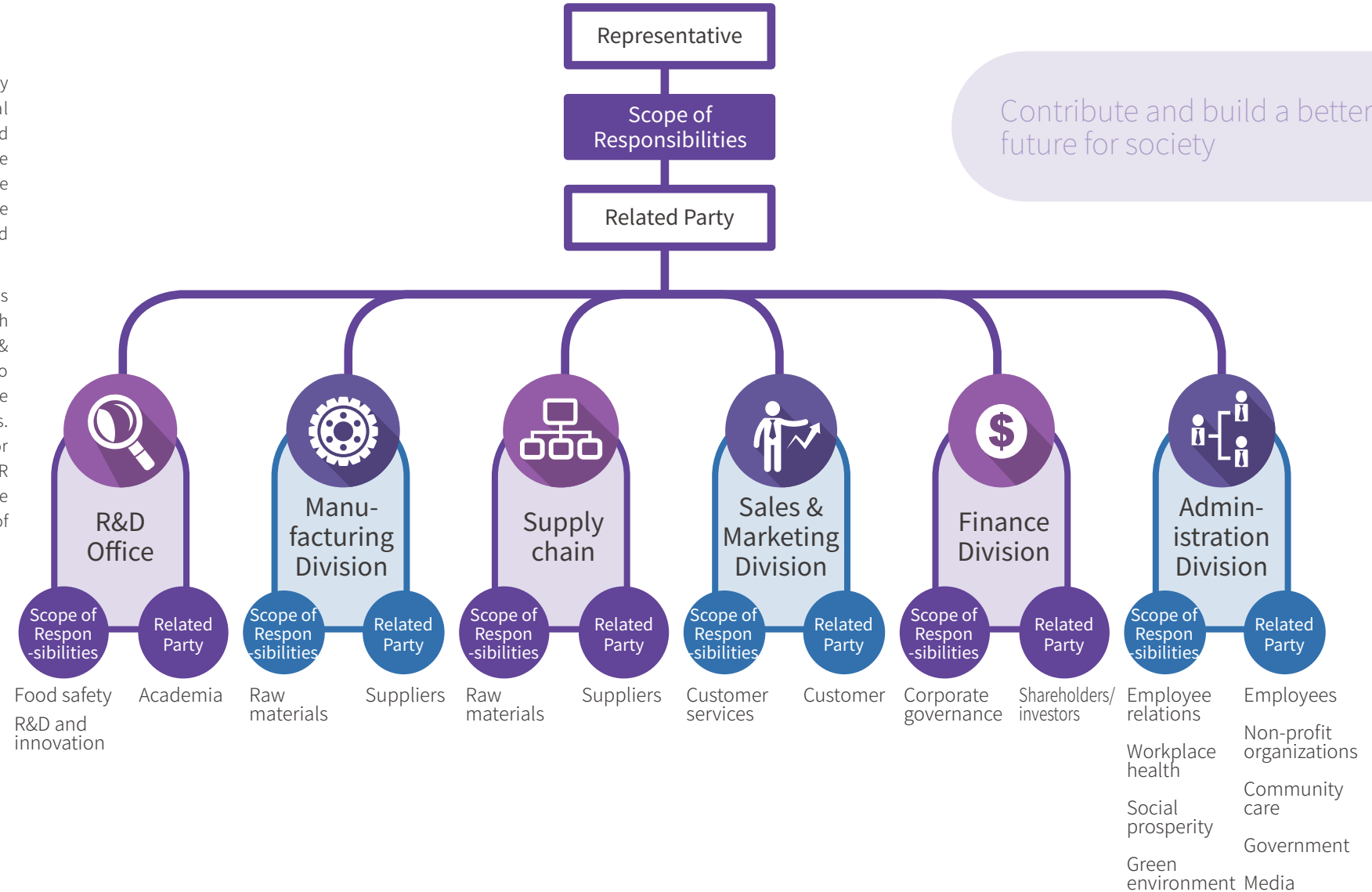
Corporate Social Responsibilities Management Framework

As the Company continues to grow, we have focused on more than simply corporate governance and operational performance; corporate social responsibility (CSR) has become the best way for Grape King Bio to respond to stakeholders' expectations and to promote our corporate values. We established the inter-departmental "CSR Committee" in 2013 to fully infuse the core concepts of CSR into business philosophy and corporate culture. We have also utilized the concerted efforts of various segments and implemented internal management systems to facilitate related CSR action plans.

The CSR Committee is established under the GM Office. The Committee is chaired by senior executives and representatives of six major units (Research & Development Division, Manufacturing Division, SCM Division, Sales & Marketing Division, Finance Division, and the Administration Division) who serve as committee members. Committee meetings are convened from time to time for the committee members to plan and execute annual CSR plans. In addition to monthly meetings of the CSR Committee, joint meetings for discussing CSR targets are organized at the end of each year to formulate CSR plans for the following year for integration across departments. The Committee also periodically reviews and reports on the implementation and direction of improvement along with the drafting and amendment of the CSR Report.



Contribute and build a better future for society





2018
Corporate Social
Responsibility Report

Value Chain

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

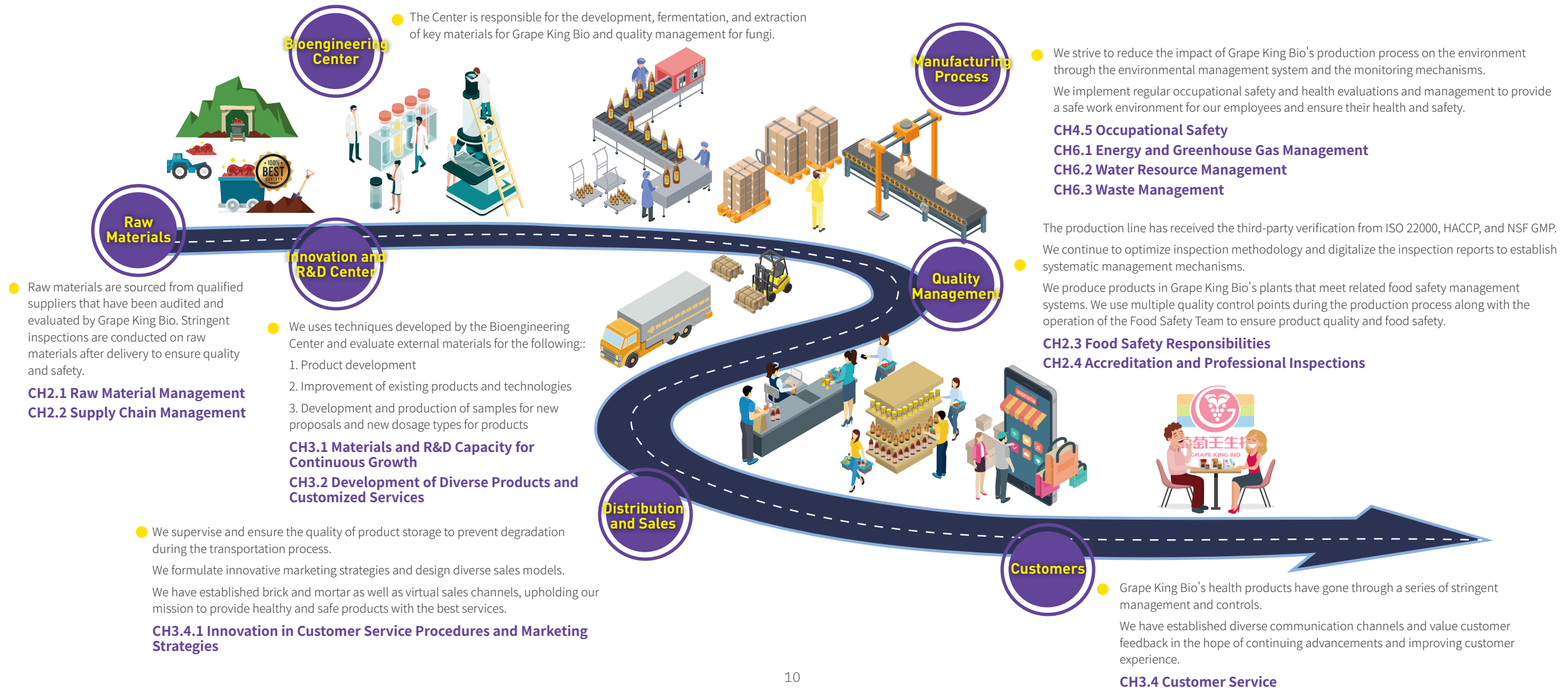
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Value Chain

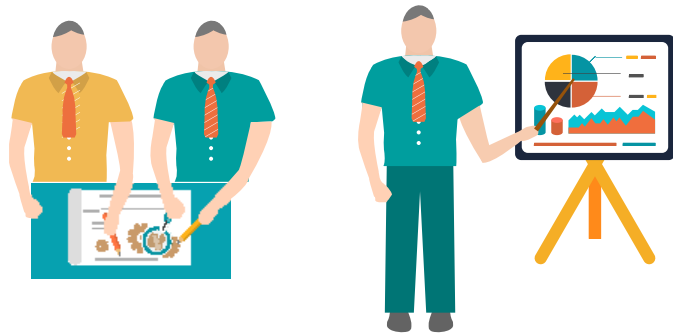
Grape King Bio reviews the Company's efforts dedicated to sustainable development from the perspective of a value chain. The reviews help us assess our impact on the value chain and help us identify areas we need to strengthen. We hope to expand the comprehensiveness of the analysis of the value chain and commit ourselves to create value and reducing negative impact.

To achieve this goal, we aim to adopt gradual plans to strengthen management in all stages and integrate the plans with Grape King Bio's value chain in the hope of providing the most effective response to stakeholders' major concerns. Grape King Bio's value chain is specified in the diagram below:



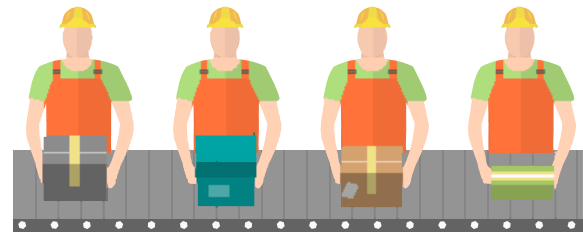
● Control over the Raw Materials (detailed in CH2.1)

The selection and inspections for raw materials start with the establishment of multiple principles and regulations in the procurement of materials before implementing international and domestic accreditation for tiered controls. This ensures that the Company purchases safe raw materials which are included in the batch number management and traceability system for the most effective systematic management.



● Research and Development of the Bioengineering Center and Innovation and R&D Center
(detailed in CH3.1 and CH3.2)

The two centers are responsible for innovation, development of raw materials, and quality control for bacteria strains. They have received multiple awards and accreditation and have remained as important institutions for product safety and research.



● Product Inspection, Traceability, and Related Management Systems (detailed in CH2.3 and CH2.4)

In addition to undergoing strict plant sanitation management, the products produced by Grape King Bio must pass multiple tests for agricultural safety to ensure product quality and safety. We also value product and channel traceability and have established a management platform. In addition to the quality of products, management regulations have also been established for external packaging, promotion, and usage safety in order to build a comprehensive product management system.



● Supplier Inspections (detailed in CH2.2)

We implement supplier evaluation programs for regular materials from the initial qualifications review and evaluation of samples to onsite surveys of suppliers and annual supply quality review. Each qualified supplier is required to undergo a series of inspections. In addition, we implement a second source (second supplier) system so that we are able to replace suppliers that fail to provide stable supplies in order to ensure the smooth supply of our materials.

● Rigorous Oversight of the Production Environment and Process (detailed in CH4.5, CH6.1-6.3)

The Company has adopted an environmental management system to reduce the impact on the environment during the production process. The health and safety of employees are our highest priority, and we regularly monitor occupational safety and health risks, meanwhile, manage high-risk items to reduce hazardous factors.

● Transportation, Sales, and Customer Service
(detailed in CH3.4)

We manage the quality of storage facilities to uphold the quality of final products. We formulate innovative marketing strategies to optimize customer experience and establish customer service targets to facilitate the procedures and improve customer service quality. We are committed to producing high-quality products that satisfy customers in order to create an outstanding brand on the market.



2018
Corporate Social
Responsibility Report

2018 ESG

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

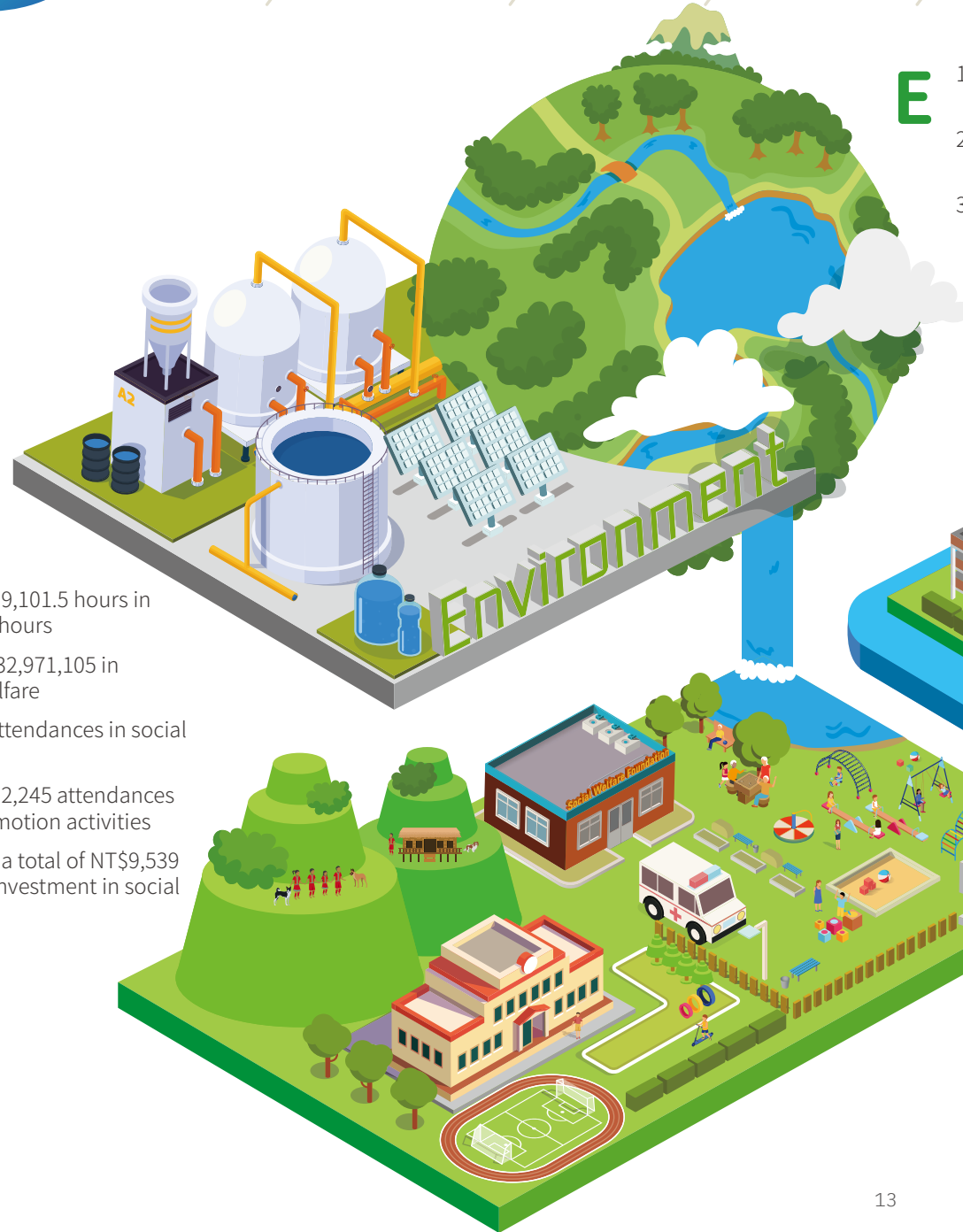
Appendix



2018 Sustainability Performance

S

1. Accumulated 9,101.5 hours in total training hours
2. Invested NT\$32,971,105 in employee welfare
3. Totaled 340 attendances in social initiatives
4. Accumulated 2,245 attendances in health promotion activities
5. Accumulated a total of NT\$9,539 thousand in investment in social events



E

1. Reduced carbon emissions by 296,450kg in the Energy Conservation and Carbon Reduction Project
2. Reduced CO₂ emissions by 3,691kg with the green power solar photovoltaics power generation
3. Invested NT\$3,412,500 in environmental protection and optimization of management



G

1. Corporate Sustainability Report Prize in the 2018 Taiwan Corporate Sustainability Awards
2. 25th National Quality Award for Excellence in Business Operations
3. Food Science Research and Development Innovation Award from IUFOST in the 19th World Congress of Food Science and Technology
4. 100% internal traceability for products
5. Revenue amounted to NT\$9,183,321 thousand in 2018.



2018

Corporate Social
Responsibility Report

Stakeholder

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



Communication with Stakeholders and Analysis of Material Topics

Scope of Communication with Stakeholders

Grape King Bio's ultimate goal is to pursue sustainable development. Stakeholders are groups and individuals who are constantly affected by Grape King Bio's activities and products, and their actions can also deeply affect the decision-making process of Grape King Bio. It is therefore important to establish systematic communication mechanisms in order to strengthen relations with stakeholders. To understand the opinions, needs, and expectations of our stakeholders and to establish effective communication channels, we not only persist in collecting feedback from stakeholders during daily business operation but also endeavor to communicate and react in a prompt manner, which is used as a reference for drawing up CSR policies and related plans. The negotiations we conducted with the stakeholders this year include entities we communicate with in the daily operations but does not include other subsidiaries of the Company.

Process of Negotiations with Stakeholders

The process is divided into four stages: Identification, Analysis, Implementing, Communication

1 Identification of Stakeholders

After discussions about the definition of the word "stakeholder", the Corporate Social Responsibility Committee classified Grape King Bio's main stakeholders into nine categories: employees, customers, suppliers, government, shareholders/investors, academia and neighborhood communities, nonprofit organizations, and media, for which we set up various communication channels for feedback collection.

2 Analysis of Material Topics

Grape King Bio collects information on the material topics based on GRI Standards. We summarized 23 topics regarding corporate social responsibilities for our questionnaire this year. We then distributed the questionnaire to our external stakeholders we communicate with during the daily operation to compile statistics and analyze the stakeholders' degree of concern in the topics. We have collected 146 valid questionnaires this year and ranked the topics based on the weight of impact to identify our 10 material topics.

3 Implementing the Material Topics

In order to ensure the sustainable development of the company, we included the material issues in our annual business strategy or daily business operation for continual improvements.

4 Communication on Material Topics

Grape King Bio values the opinions of all stakeholders. In addition to including material topics into annual plans or daily operations, we also continue to communicate and interact with stakeholders. We set performance indicators for material topics and review the performance from time to time to continue examinations and improve the effectiveness of our advancement of corporate social responsibilities. The results are shown in the annual CSR Report.

9 Categories of Stakeholders

10 Material Issues

Continual Improvements

**Constantly Interact with Stakeholders
Set Performance Indicators**

1 Identification of Stakeholders > 2 Analysis of Material Topics > 3 Implementing the Material Topics > 4 Communication on Material Topics

Channels of Communication with Stakeholders



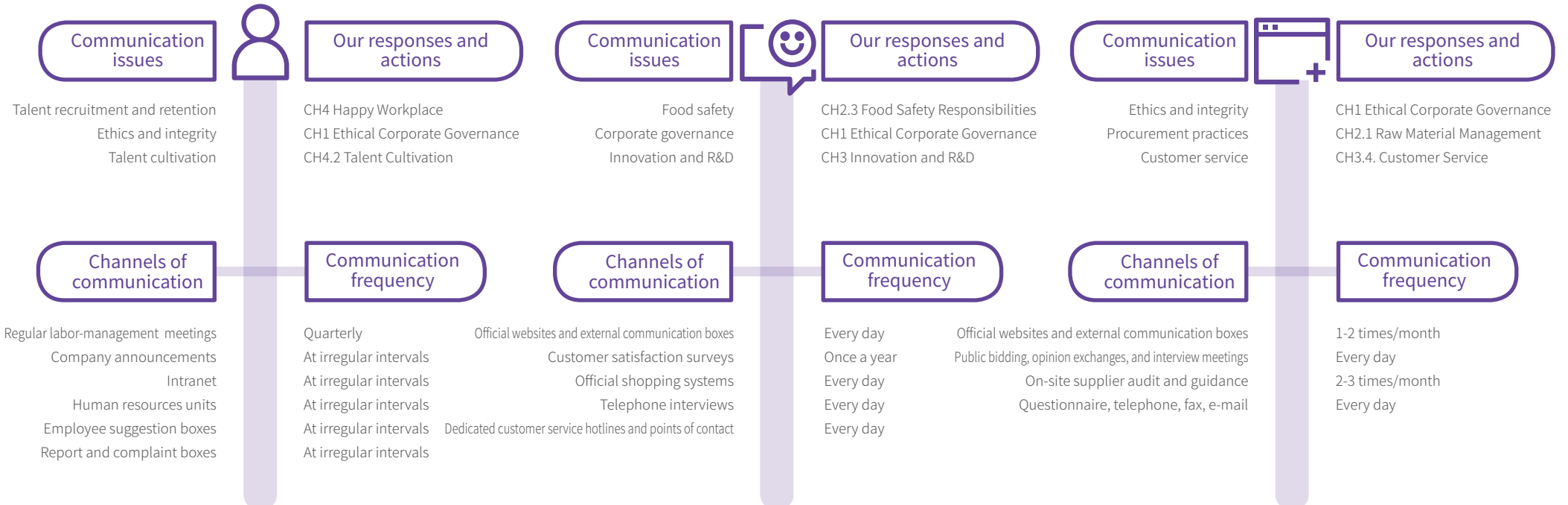
Employees



Customers



Suppliers

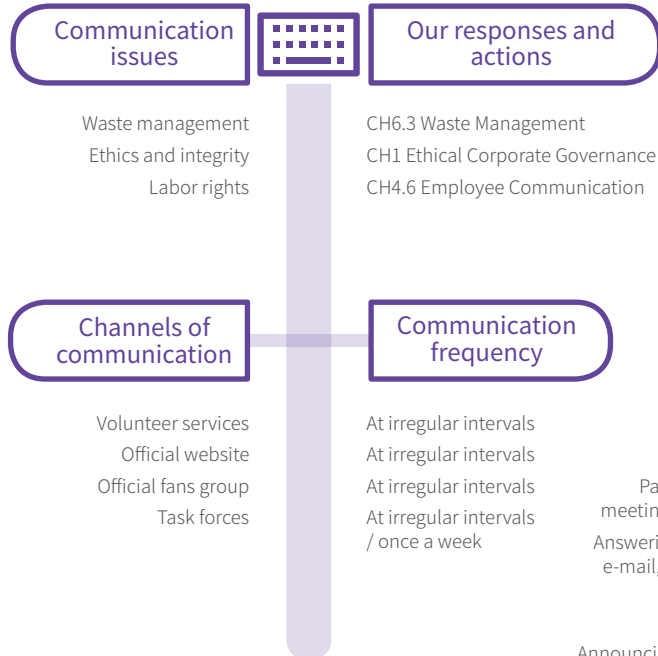


Please refer to the Grape King Bio Stakeholder Communications section via the link: <https://www.grapeking.com.tw/tw/investor-relation>

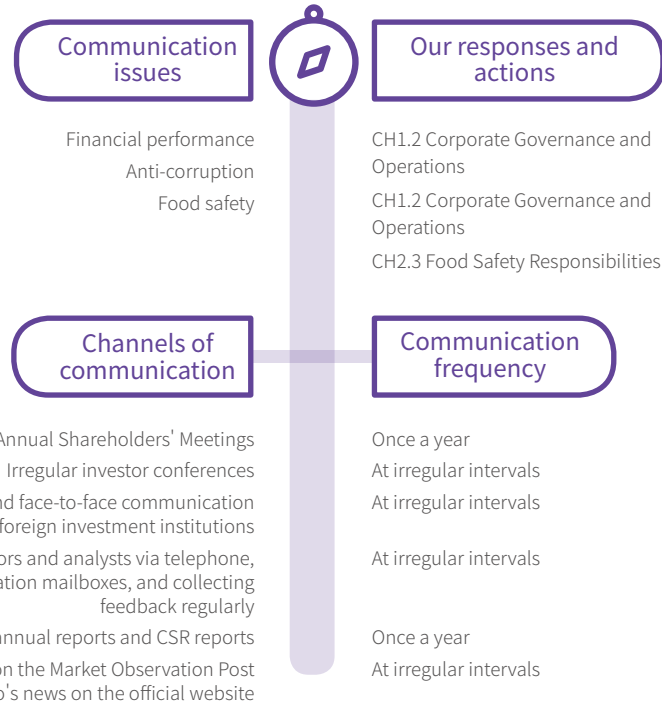
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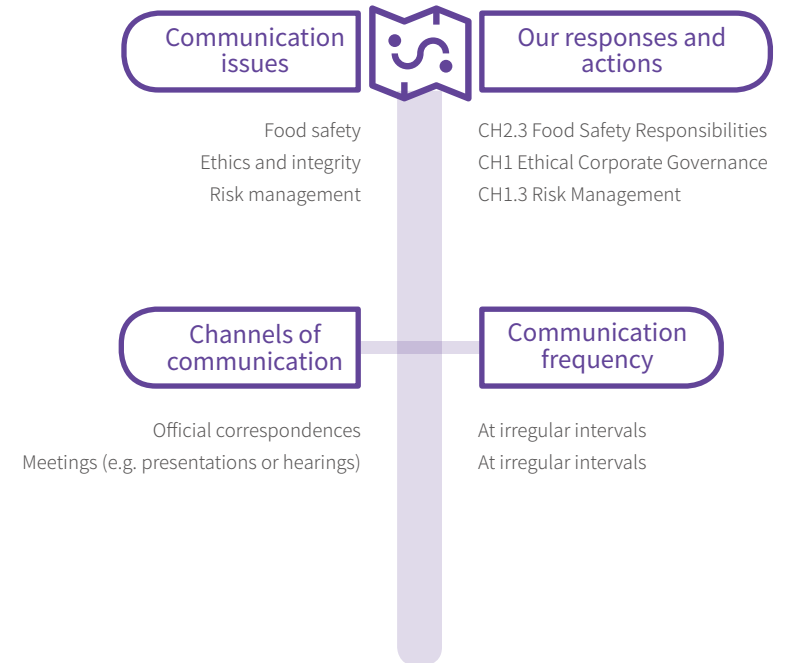
NPOs



Shareholders/
Investors



Government



1 Identification of Stakeholders > 2 Analysis of Material Topics > 3 Implementing the Material Topics > 4 Communication on Material Topics



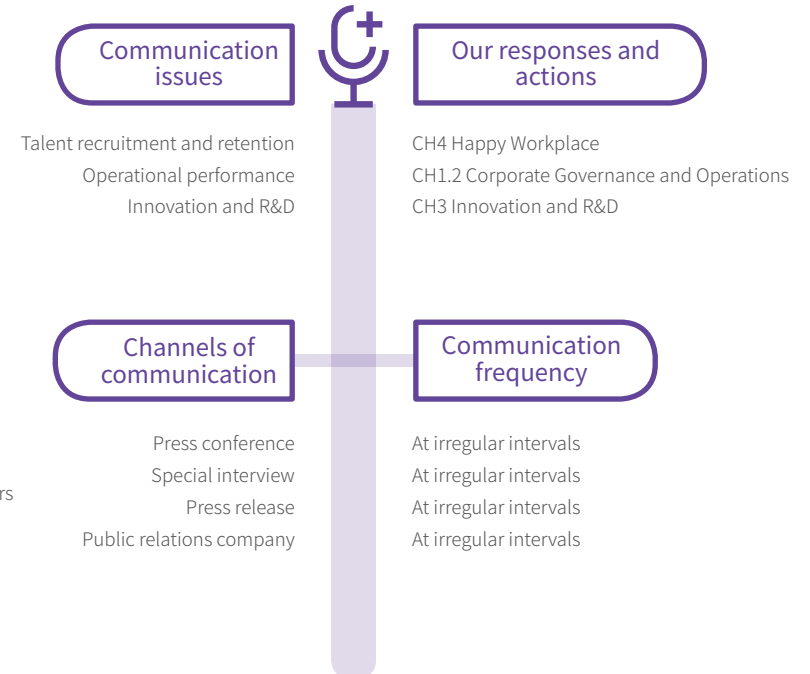
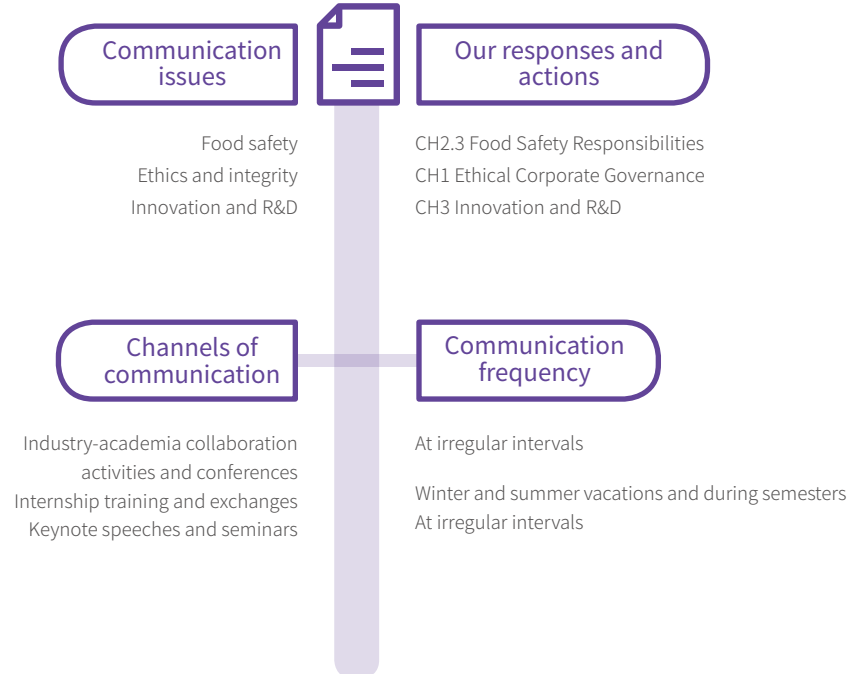
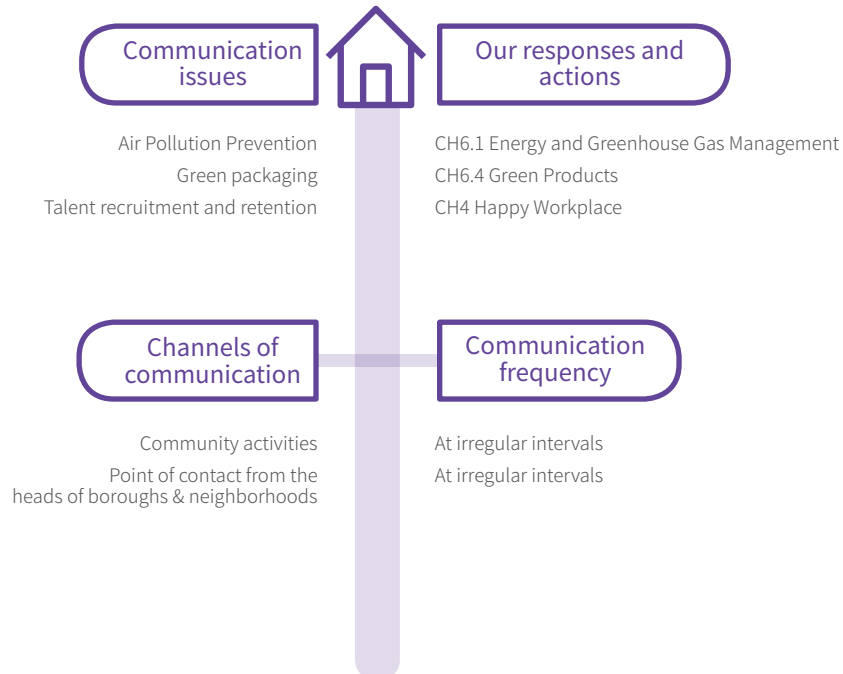
Neighborhood Communities



Academia

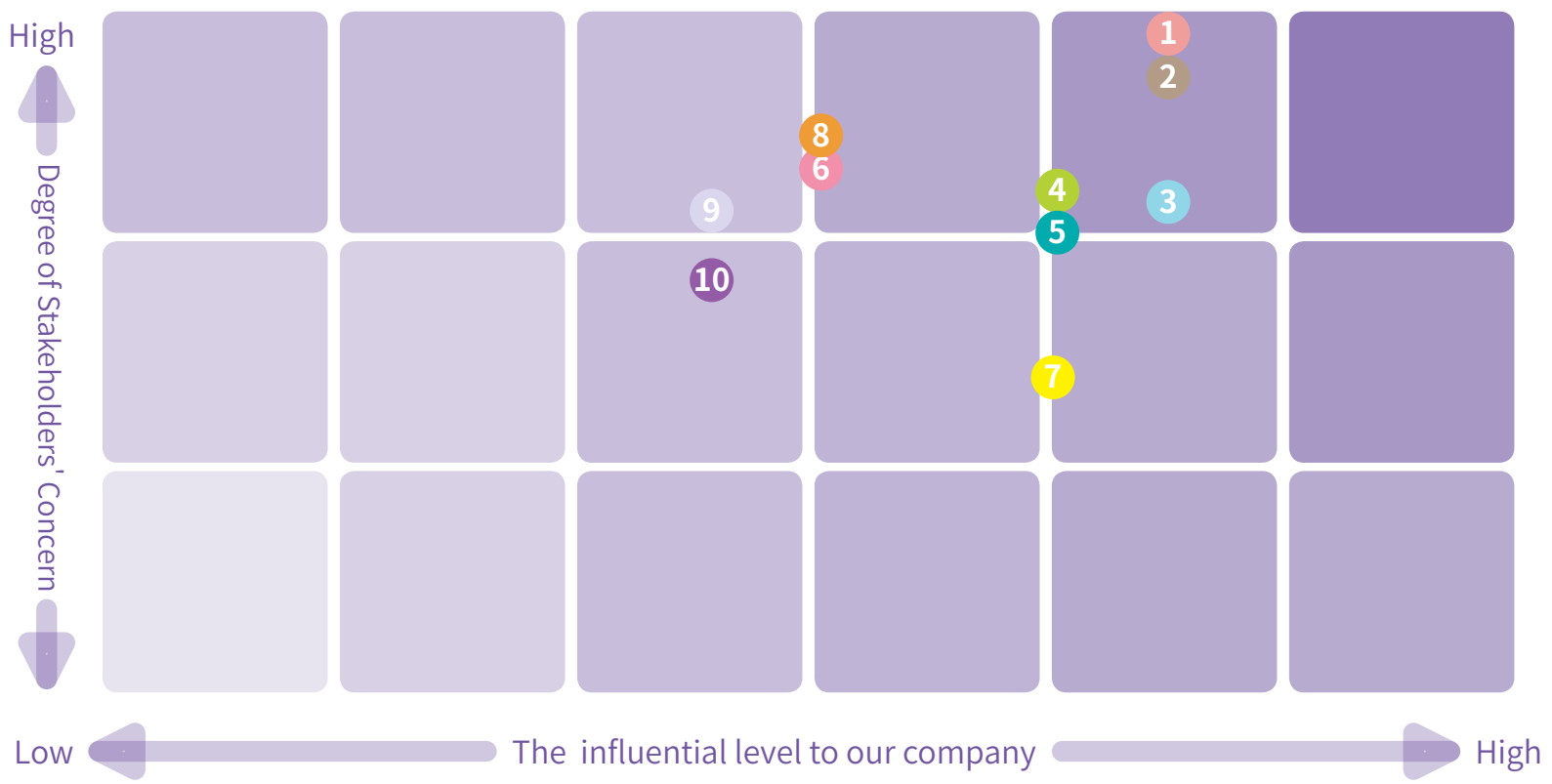


Media



1 Identification of Stakeholders > 2 Analysis of Material Topics > 3 Implementing the Material Topics > 4 Communication on Material Topics

2018 Materiality Matrix of Grape King Bio



- 1** Food safety
- 2** Ethics and integrity
- 3** Innovation and R&D
- 4** Talent recruitment and retention
- 5** Legal compliance
- 6** Customer service
- 7** Financial performance
- 8** Corporate Governance
- 9** Risk management
- 10** Occupational safety and health


1 Identification of Stakeholders > 2 Analysis of Material Topics > 3 Implementing the Material Topics > 4 Communication on Material Topics


Implementing the Material Issues


In order to ensure the sustainable development of the company, we included the material issues in our annual business strategy or daily business operation for continual improvements.

1 Identification of Stakeholders > 2 Analysis of Material Topics > 3 Implementing the Material Topics > 4 Communication on Material Topics


Communication on Material Topics


Material Topic	Significance to Grape King Bio	Management Approach
1 Food safety 	<p>To implement food safety, we review suppliers based on different benchmarks.</p> <p>We improve the quality management system to improve customer's trust and satisfaction of the Company. Stringent and firm food safety management is the basis for fulfilling sustainable development.</p>	<ul style="list-style-type: none"> Implement internal and external education and training for food safety Appoint a Hygiene Management Specialist and apply for multiple proactive food safety and sanitation management system certifications Establish a food safety team to review and manage the quality system Establish a comprehensive follow-up and traceability system Use 100% raw material inspections to implement rigorous controls and schedule monthly audits on suppliers and annual evaluations to fully implement supplier risk management
	<p>Corresponding Chapter</p> <p>CH2.3 Food Safety Responsibilities</p>	<p>Key Response Summary</p> <ul style="list-style-type: none"> Compliance with food safety regulations and product labeling Obtain multiple food safety certifications and laboratory certifications Supplier evaluation system


Material Topic	Significance to Grape King Bio	Management Approach
2 Ethics and integrity 	<p>All confidential business and technical information of the Company or customers should be kept and protected in order to maintain the Company's reputation, goodwill and morals, and public order.</p>	<p>To strengthen the necessity of compliance with the Ethical Code of Conduct and ensure employee awareness. Various education channels are adopted including the organization of training, messages posted on the Company's internal website, and announcements,</p>
	<p>Corresponding Chapter</p> <p>1.2.2 Ethical Management and Supervision Mechanisms</p>	<p>Key Response Summary</p> <p>The Company established the "Ethical Corporate Management Best Practice Principles" and Ethical Code of Conduct" that require all employees to uphold the principles of honesty, rigorousness, and professionalism in related daily operations.</p>


Material Topic	Significance to Grape King Bio	Management Approach
3 Innovation and R&D 	<p>Continuous R&D and innovation is a major task for sustainable corporate development, and we are fully committed to resource investment and our hard work for different products and services</p>	<ul style="list-style-type: none"> Continue to strengthen the R&D capacity of our Bioengineering Center and Innovation and R&D Center Develop diverse products and customized services Conduct industry-academia collaboration to strengthen connections between local industries
	<p>Corresponding Chapter</p> <p>CH3 Innovation and R&D</p>	<p>Key Response Summary</p> <ul style="list-style-type: none"> We currently hold 55 patents. We filed 25 patent applications in 2018 and obtained 8 patents. Established a one-stop service OEM platform


Material Topic	Significance to Grape King Bio	Management Approach
4 Talent recruitment and retention 	<p>Employees are our most valuable asset. As we seek to increase the corporate value, we also focus on employees' career development and prioritize employees' health with the aim of building a sustainable healthy corporate culture.</p>	<p>Adopt a strategic concept of "appropriate roles for appropriate talents" to provide each employee with various opportunities at work, and establish a comprehensive health management system and welfare policy</p>
	<p>Corresponding Chapter</p> <p>CH4 Happy Workplace</p>	<p>Key Response Summary</p> <ul style="list-style-type: none"> Introduced the target and performance management system Advanced strategic plans and development goals for employees Established a dual-track welfare system Established a comprehensive health management plan


Material Topic	Significance to Grape King Bio	Management Approach
5 Legal compliance 	<p>Compliance with regulations is a basic principle for corporate management. Only a law-abiding company can win the trust of consumers.</p>	<ul style="list-style-type: none"> Adopt the policy that all legal affairs and related documents shall be processed by the Legal Office in its comprehensive review procedures Conduct internal education and training to ensure that all related units understand related regulations
	<p>Corresponding Chapter</p> <p>1.4 Legal Compliance</p>	<p>Key Response Summary</p> <p>There were no material penalties this year. Non-material violations included one violation of environmental protection regulations and two violations of food advertisement regulations. Total fines amounted to NT\$166,000</p>

Material Topic	Significance to Grape King Bio	Management Approach
6 Customer service 	<p>The Company is committed to providing the customer with the best experience and raise the level of customer satisfaction. The Company connects services and uses the combination of products, prices, services, brand image, the feeling it generates, and the experience provided in order to create a better future for customers.</p>	<ul style="list-style-type: none"> Establish customer service processing procedures and arrange external training for customer service personnel to increase customer satisfaction Perform a series of customer visits each year and use consumers' opinions to formulate the R&D and sales strategies for the next year Continue to improve and provide customers with the highest standard of personal information protection
	<p>Corresponding Chapter</p> <p>3.4. Customer Service</p>	<p>Key Response Summary</p> <ul style="list-style-type: none"> The Company carries out a series of visits to 20-30 individuals to fully understand consumers' opinions and incorporate the results into future plans. The Company arranges training for employees to improve their professional skills, core knowledge, and communication skills. The Company has added the LINE service and platform to provide more diverse services.

Material Topic	Significance to Grape King Bio	Management Approach
7 Financial performance 	<p>The Company values joint prosperity with stakeholders and actively creates value for corporations to advance growth in overall financial performance and establish the basis for Grape King Bio's sustainable development.</p>	<ul style="list-style-type: none"> Maintain stable value creation for shareholders and use continuous innovative R&D and product quality improvement to win the trust of consumers and gain continuous profits Maintain stable finances to ensure mutual benefits for shareholders, creditors, and the Company
	Corresponding Chapter 1.2.3 Financial Performance	Key Response Summary <p>The Company's consolidated revenue and profitability in the most recent three years were impressive. Grape King Bio upheld shareholders' interests, and the earnings per share after tax was maintained at NT\$9.57. We also adopted a stable dividends policy to give back to shareholders.</p>

Material Topic	Significance to Grape King Bio	Management Approach
8 Corporate governance 	<p>The Company strengthens corporate governance and corporate social responsibilities with the aim of creating value for the Company and achieve sustainable development.</p>	<p>Continue to examine changes in the external business environment and improve internal management procedures; in addition to strengthening internal supervision and disclosure of information to external entities, we establish a comprehensive shareholder and stakeholder communication platform to build an effective corporate governance framework</p>
	Corresponding Chapter 1.2 Corporate Governance and Operations	Key Response Summary <p>Grape King Bio focuses on the four items below to strengthen corporate governance and continue to improve the quality of its operation:</p> <ol style="list-style-type: none"> Strengthen the roles and responsibilities of the Board of Directors and ensure that functions of Supervisors are fully exercised Put emphasis on the interests of shareholders and stakeholders Establish and implement internal control and internal audit systems Strengthen information disclosure and transparency

Material Topic	Significance to Grape King Bio	Management Approach
9 Risk management 	<p>The biotechnology industry is characterized by high technical entry barriers, high cost, and highly competitive. The Company actively implements risk management in response to such characteristics for operation in the changing industrial environment.</p>	<ul style="list-style-type: none"> Classify different risks based on their nature Related segments perform periodic risk assessment and review
	Corresponding Chapter 1.3 Risk Management	Key Response Summary <p>The Company evaluates the main risks of each unit based on core topics. The risks can be mainly divided into four major categories including financial risks, operational risks, strategic risks, and hazardous risks.</p>

Material Topic	Significance to Grape King Bio	Management Approach
10 Occupational safety and health 	<p>The Company upholds the business philosophy of "contribute and build a better future for society" and provides employees with a safe and healthy work environment as well as systems for the performance of compliance obligations and reduction of hazardous risks.</p>	<ul style="list-style-type: none"> Encourage employees to actively participate in related environmental, safety, and health activities and training. We set up the "Occupational Health and Safety Management Committee" to organize health-and-safety-related affairs and periodically evaluate risks in the workplace
	Corresponding Chapter 4.4. Employee Healthcare 4.5 Occupational Safety	Key Response Summary <p>We construct a friendly work environment based on three major topics:</p> <ol style="list-style-type: none"> Risk assessment Operational site environmental inspection Operation safety management





2018

Corporate Social
Responsibility Report

Preface

1

Ethical Corporate
Governance

2

Product
Liability

3

Innovation
and R&D

4

Happy
Workplace

5

Social
Prosperity

6

Green
Environment

Appendix



1.0

Ethical Corporate Governance

1.1 About Grape King Bio

1.1.1 History and Our Business Philosophy

Background

The late 1960s was a golden age for the development of Taiwan's infrastructure. The Company's founder and president Mr. Shui-Chao Tseng paid attention to this trend and established "China Fusang Shenghuang Pharmaceuticals Industries Co., Ltd." in 1969 (he established Grape King Food Co., Ltd. in 1971 and the companies were officially merged to form Grape King Enterprise Co., Ltd. in 1979) to produce our first product—Combest Energy Drink. As time progressed, the founder was aware of the importance of transformation. He established a biotechnology research center in 1991 to officially invest in biotechnology and focus on health food development. In 1993, the subsidiary Pro-Partner Ltd. was established, and it officially focused on the health food market through a multi-level marketing approach in 1998. In terms of overseas markets, the Company entered Mainland China in 1994 and established Shanghai Grape King Bio Co., Ltd. to actively expand overseas markets and promote various health food and beauty products. Grape King Bio has established our "smiling curve" from the upper stream R&D innovation, through the midstream assembly and manufacturing to the downstream logistics, marketing and branding channels. This business model developed so far has achieved remarkable results and has won many awards in Taiwan and overseas over the previous decades (detailed in CH1.1.2).

2019 marks the 50th anniversary of the Company. "Live Healthy, Think Grape King" has always been our core mission and we will launch advertisements based on this theme for the public in all ages to understand that "health" is the basis for enjoying more excitement in life. We will continue to accompany society to jointly embrace a promising future. We will also launch anniversary events, VR experience rides, and brand commercials based on the theme of "A Promising Future". We invite students from remote elementary schools in Pingtung to sing the theme song and organize charity concerts to provide children with performance opportunities. We also work with communities to contribute to charity events. In addition to the 50th-anniversary events, we will also conduct individual marketing activities for different occasions such as Mother's Day.

Grape King Bio's Milestones and Transformation

1960s

- Established "China Fusang Shenghuang Pharmaceuticals Industries Co., Ltd." in 1969

1970s

- Established "Grape King Food Inc." in 1971
- Established "Comebest Cosmetics Co., Ltd." in 1973
- Renamed "Comebest Cosmetics Co., Ltd." to "Haifeisi Beauty Products Co., Ltd." in 1976
- Merged "China Fusang Shenghuang Pharmaceuticals Industries Co., Ltd.," "Grape King Food Inc.," and "Comebest Cosmetics Co., Ltd." into "Grape King Enterprise Co., Ltd." in 1979

1980s

- Merged "Haifeisi Beauty Products Co., Ltd." into "Grape King Enterprise Co., Ltd." in 1981
- Approved for public listing by the Securities Administration Committee, Ministry of Finance in 1982
- Approved by the Department of Health, Executive Yuan as "GMP-Certified Pharmaceuticals Plant" in 1987

1990s

- Established the "Bioengineering Center" for research and development of biotechnology products
- Established the "Pingzhen Logistics Center" with an area of 3,000 pings in 1991
- Invested in the establishment of "Pro-Partner Ltd." in 1993
- Invested in China and established "Shanghai Grape King Bio Co., Ltd." in 1994
- Officially transformed "Pro-Partner Ltd." into a multi-level marketing company in 1998

2000s

- Renamed the Company "Grape King Bio Inc." in 2002
- Constructed the "Biotechnology Automatic Production and Packaging Plant" and "Second Fermentation Plant" in 2008

2010s

- Expanded the Third Fermentation Plant of the Bioengineering Center and added two 40-ton fermentation tanks and six 500-liter tanks in 2010
- Purchased an office building with Pro-Partner Ltd. in Neihu and converted the 11th floor into offices of the biotechnology business units of Grape King Bio in 2013
- Established the Corporate Social Responsibility Committee in 2013
- Held the groundbreaking ceremony of the Pingzhen Plant in May 2014 and began operation at the end of 2016.
- Approved to establish a branch company in Hsinchu Longtan Science Park in August 2014
- Received PIC/S GMP and ISO 22000 accreditation in 2014
- Awarded ISO 17025 International Management Certification by TAF in 2015
- Inauguration of the new Pingzhen Plant in September 2016
- Received NSF GMP accreditation in April 2017
- Inauguration of the Health and Vitality Power Center in July 2017
- Obtained OHSAS 18001 Occupational Health and Safety Assessment Series, Taiwan Occupational Safety and Health Management System (TOSHMS), and ISO 14001 Environmental Management System certification in October 2017
- Inauguration of the Taipei Operation Office in 2018
- Received TQF and FSSC 22000 certification in 2018

Business Philosophy

For the past 49 years, Grape King Bio has always strived to improve. We became leaders of the biotechnology sector through cutting-edge technology and innovative research and development. We also aim to become leaders of the industry with our base of operations in Taiwan and our global expansion. To continue to strengthen food and drug safety management, we established a food safety traceability system and obtained multiple international certifications such as the PIC/S GMP pharmaceuticals company, ISO 22000, NSF GMP, TQF, Halal certification, FSSC 22000, and the ISO/IEC 17025 TAF certified laboratory. These certifications serve as our guarantee for consumers.

"Technology, Health, and Hope" has always been Grape King Bio's guiding business value. We understand that biotechnology is the mainstream technology in the 21st century and it is our current and future direction for continuous advancement. We expect to take on the mission of "Live Healthy, Think Grape King" to create growth and prosperity for Grape King Bio with all employees and embrace a brighter future.



1.1.2 Grape King Bio Awards



Enterprise

- Grape King Bio was placed 33rd on the 2018 Cheers Magazine "Top 100 Taiwan Best Companies to Work For".
- Grape King Bio has been ranked No.3, for the 5th year in a row, on the Common Wealth Magazine Taiwanese "Pharmaceutical and Biotechnology Industry" listings.
- Grape King Bio was awarded the "Friendly Enterprise Model Award" for sponsoring the vaccine for all company colleagues.
- Grape King Bio wins the Gold Medal in the 2018 TCSA Corporate Sustainability Report!



Individual

- Andrew Tseng, Chairman of Grape King Bio, voted No.1 Leader of Taiwan Biomedical Corporation by "Global Bio& Investment Magazine"
- Grape King Bio's Vice President of R&D, Dr. Chin-Chu Chen, has won the Outstanding Management Award, the Highest Honor of National Quality Award.



Product

- [Ganoderma King] Our Ganoderma King received an "Honor Award" at "Yahoo! 2018 Health Brand Awards" which is organized jointly with Everyday Health
- [Probiotics range] Our Probiotics range received an "Excellent Award" at "Yahoo! 2018 Health Brand Award" which is organized jointly with Everyday Health
- Grape King Bio Probiotic King Powder won the Innovation Product Award of TALAB!



Technology & Patents

- "A novel probiotic encapsulation technology that significantly improves the viability of probiotic cells in intestinal tract" was awarded a Gold medal and Special Award at the 2018 Russian Archimedes International Invention Exhibition.
- "Rapid isolation of a novel anticancer compound Antrocin C from Antrodia" was awarded a Gold medal at the 2018 Russian Archimedes International Invention Exhibition and a special award at the Korea Invention Promotion Association.

- "A pharmaceutical or food composition of Antrodia Cinnamomea extract reducing drug-resistance in cancer cells" won the Bronze Medal and Special award at International Invention Fair in the Middle East 2018.
- The patent "An active substance for preventing hearing loss, a method for preparing thereof, a pharmaceutical composition comprising the active substance and a method for preparing thereof" was awarded 1 Gold medal and the Malaysia Special award at 2018 Geneva International Invention Exhibition.
- A Silver Medal was received for "Use of Antrodia cinnamomea mycelia fermentation product for improving nonalcoholic steatohepatitis (NASH)" at 2018 Geneva International Invention Exhibition.
- "Compositions comprising an active compound for treating dementia and methods of use thereof" won a Bronze Medal and Special award at International Invention Fair in the Middle East 2018, a Silver Medal and the Special Award at the Taiwan Innotech Expo, and a Silver Medal at Seoul International Invention Fair 2018
- A Silver Medal was awarded to Grape King Bio's Probiotic Innovative Technology for "Development of a microencapsulation technique for probiotic bacteria" at the Taiwan Innotech Expo.
- "The heripene, the active substance of the mycelium of Hericium Erinaceus for decreasing pain, the producing method and the pharmaceutical composition thereof" has won the Bronze Medal and the Special German award at the 2018 Korea International Women's Invention Expo.
- Grape King Bio won at the 2018 International Union of Food Science and Technology (IUFOST) Food Research Innovation Awards.
- "GKM3-A Weight Management Probiotic" was awarded a Gold Medal at 2018 IIIC International Invention Exhibition.
- "Fermentation of Hericum Erinaceus Mycelium - Erinacine A - which can ameliorate age-related hearing loss" was awarded a Gold Medal at 2018 IIIC International Invention Exhibition.
- "4-AAQB, a potent anti-cancer compound of Antrodia Cinnamomea" was awarded a Gold Medal at 2018 IIIC International Invention Exhibition.
- "A lactobacillus, composition, culture method, and uric acid-lowering improving allergy and lowering blood sugar." was awarded the Gold Medal and the Special Award at Seoul International Invention Fair 2018.
- "Cordyceps cicadae mycelium active substances, preparation method, pharmaceutical composition, and application thereof" was awarded the Gold Medal at Seoul International Invention Fair 2018.

1.1.3 Services and Business Locations

Products and Services

Grape King Bio has its own health food product and energy drink brand. We also provide ODM/OEM services for health food products and drugs. The smile curve can be used to illustrate Grape King Bio's advantages in business operations.

Top left: R&D and Technology

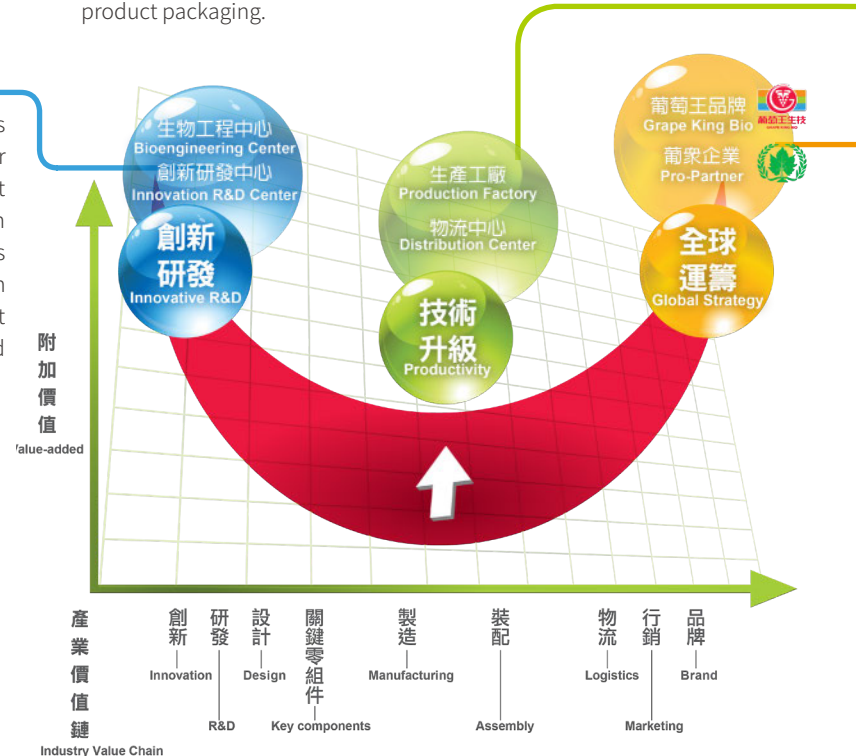
We are committed to the development of health food and our raw materials and we have widened our lead over competitors. Our Bioengineering center was set up in 1991 to gain a leading edge in the industry, and we actively invest in the research and development of key components. As such, we have been able to accumulate more than 10 years of experience in R&D over competitors and build on leading advantages that are difficult to surpass. In addition to our own research and development, we also accept original equipment manufacturing (OEM), including mushroom raw materials, probiotics, and other raw materials for fermentation.

Mid area: Assembly and Manufacture

Grape King Bio started with the manufacture of pharmaceutical drugs which was followed by the production of energy drinks and health food to cGMP specifications. We have obtained several international certifications after years of experience and accumulated vast experience in cooperation projects and built a sound reputation in the industry, government, and academia in terms of product manufacturing, quality control, and logistics management. We have established a one-stop OEM platform where upstream patented raw materials are imported to cross-type production lines and integrated with back-end product packaging.

Top right: Logistics, Marketing, and Branding

Biotechnology contributes to health and hope for people and it has been our main goal since we first began development in biotechnology. Grape King Bio officially initiated brand revitalization and updated the corporate identity in 2012. We began a full conversion of the packaging of our products based on the demands of consumers at the end of 2014. We proposed the New Strategies Project for "new products, new marketing, and new customer groups" in 2015 to update the marketing operations of popular products in an attempt to develop new customer groups. Examples included using less-known knowledge to stress the importance of immunoregulation for the Original Ganoderma King, rearranging the popular song "Betrayal" to illustrate how the Original Antrodia King protects the liver and regulates blood pressure, and using a story of cops and robbers to portray the good bacteria in the Probiotics King and LGG. In addition, we also launched new products such as PowerBOMB, Ginseng Clam PlusB, Snow Brightening Essential Drink, Tian Qi Maca Essence Drink, and Gold Comebest. The performance has been satisfactory until today and the Company won a place among the most influential brands evaluated based on online surveys and expert selections in the "Manager Today" magazine in 2015. In the future, we will continue our brand development. The Health and Vitality Power Center in Pingzhen, Taoyuan will bring us closer to consumers and complete our mission of "Live Healthy, Think Grape King". In addition to the impressive performance of the brand, our subsidiary company Pro-Partner Ltd. established in 1993 also used multi-level marketing channels as its main sales channel and was ranked 66th in the world in 2013. The Company's revenue has exceeded NT\$8 billion for two consecutive years and has ranked second among the top ten multi-level marketing in the country for four consecutive years. Moreover, Grape King Bio was ranked the 1st among all domestic companies in the industry for 9 consecutive years.



Service and Business Locations

Grape King Bio's operational sites are centrally located in the northern region and Taoyuan is the main area of our operations, production, R&D, and logistics. The head office is located at Pingzhen Plant, and the Health and Vitality Power Center located in Pingzhen Plant allows consumers to experience the Company's story and philosophy at any time. The Zhongli Plant remains focused on R&D and production. The Taipei Office was moved to the Pro-Partner Neihu Building in 2018, and the Logistics Center was moved to the site on Xinsheng Road in Zhongli District in 2018. In addition, Grape King Bio's Biotech Research Institute in Hsinchu Longtan Science Park was also established at the end of 2018.

We have more than 15,000 distributors across Taiwan and the main sales channels can be divided into physical and virtual channels. Physical channels include supermarkets, chain supermarkets, modern drugstores, chain drugstores, traditional drugstores, convenience stores, and distributor channels; virtual channels include Grape King Bio's stores, external websites, direct sales members, and television shopping.

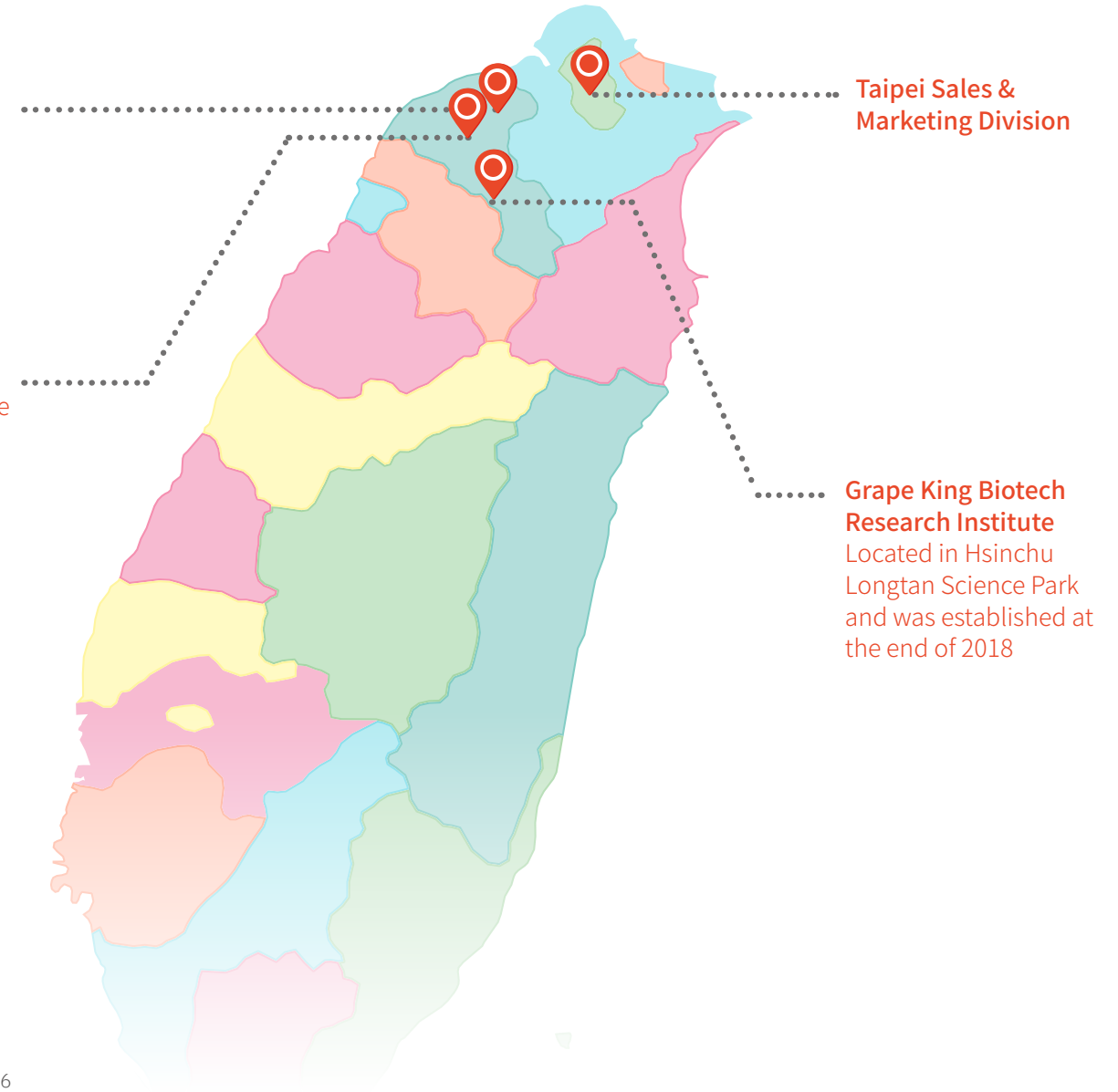
Zhongli Longgang Plant
Equal attentions are paid to R&D and Production

Headquarters in Pingzhen
Established in September, 2016 (Including our new office building and factories)

Grape King Health and Vitality Power Center
Launched at the end of July, 2017

Taipei Sales & Marketing Division

Grape King Biotech Research Institute
Located in Hsinchu Longtan Science Park and was established at the end of 2018



1.2 Corporate Governance and Operations

Policies

We continue to monitor changes in the external business environment and to ensure improvements of our internal management procedures. In addition to strengthening internal supervision and disclosure of information to external entities, we also have a comprehensive shareholder and stakeholder communication platform in order to build an effective corporate governance framework.

Commitment

Grape King Bio focuses on the four items below to strengthen corporate governance:

1. Strengthen the roles and responsibilities of the Board of Directors and ensure that functions of Supervisors are fully exercised
2. Put emphasis on the interests of shareholders and stakeholders
3. Establish and implement internal control and internal audit systems
4. Strengthen information disclosure and transparency

Goals

- Past** Compliance with regulations and review the results of Corporate Governance Evaluation System so as to formulate improvement plans
- Current**
1. To strengthen Corporate Governance, the Board of Directors has appointed the Chief Financial Officer to take charge of Corporate Governance on an irregular basis. The person in charge of Corporate Governance and the Finance Division are responsible for all related matters.
 2. The Board of Directors has designated the Finance Division as the unit responsible for ethical business management as well as the establishment and execution of ethical business policies and prevention plans.
 3. In addition to specifying the assurance status of the 2017 CSR Report within the report to the Board of Directors, we also update the progress of the 2018 CSR Report to the Board of Directors.
- Future** We shall continue to study and formulate corporate governance projects to improve corporate governance.

Grievance Mechanism

Shareholders' meeting; Investor conferences (detailed in the chapter on Stakeholder Communications)

Actual Achievements

- Appointment of irregular corporate governance personnel: To strengthen corporate governance, the Board of Directors has appointed the Chief Financial Officer to take charge of corporate governance on an irregular basis. The person in charge of corporate governance and the Finance Division are responsible for all related matters. They are responsible for providing information to Shareholders on the Market Observation Post System or company website promptly, assisting in updating the list of major Shareholders, providing information required for Directors and Supervisors' operation, convening Board of Directors' and Shareholders' meetings in compliance with the law, application and modification of company registry, producing meeting minutes of Board of Directors' and Shareholders' meetings, and periodically assessing the independence and competence of the CPAs.
- Designation of an irregular ethical corporate management unit: The Board of Directors has designated the Finance Division as the unit responsible for ethical business management and the establishment and execution of ethical business policies and prevention plans. The unit issues ethical corporate management education letters to all employees and conducts ethical management tests for supervisors of sections and above, organizes related education and training for ethical governance issues, and investigates related reports and complaints on ethical corporate management to improve the Company's ethical corporate management performance.
- Information disclosure in English: In addition to publishing material information in accordance with regulations, the Company also publishes material information in English. Moreover, the Company uploads the English versions of the consolidated financial reports for the four quarters, the proceedings manual, and the annual report for shareholders' meetings to the Market Observation Post System for foreign stakeholders.
- Improvement of transparency: In addition to publications and reports on the Market Observation Post System, the Company strengthens information disclosure on the official website and publishes our important regulations, overview, and resolutions of the Board of Directors, contents of investor conferences, and annual reports for Shareholders' meetings.

Material Topic
**Corporate
Governance**

Responsibilities

Internal responsible units:
Board of Directors and the
Finance Division

Resources

We arranged training for all Directors and Supervisors on themes such as insider trading, Corporate Governance, and Corporate Social Responsibility. These training has helped them in business operation and inspired them in terms of company operation, strategy, supervision, and governance. Directors and Supervisors also continue their studies based on individual needs and focus on themes such as the operation of secretaries of the Company, global economic and trade expansion, internal control, risk management, and Directors and Supervisors' liability insurance policies. The Company invested a total of NT\$91,426.

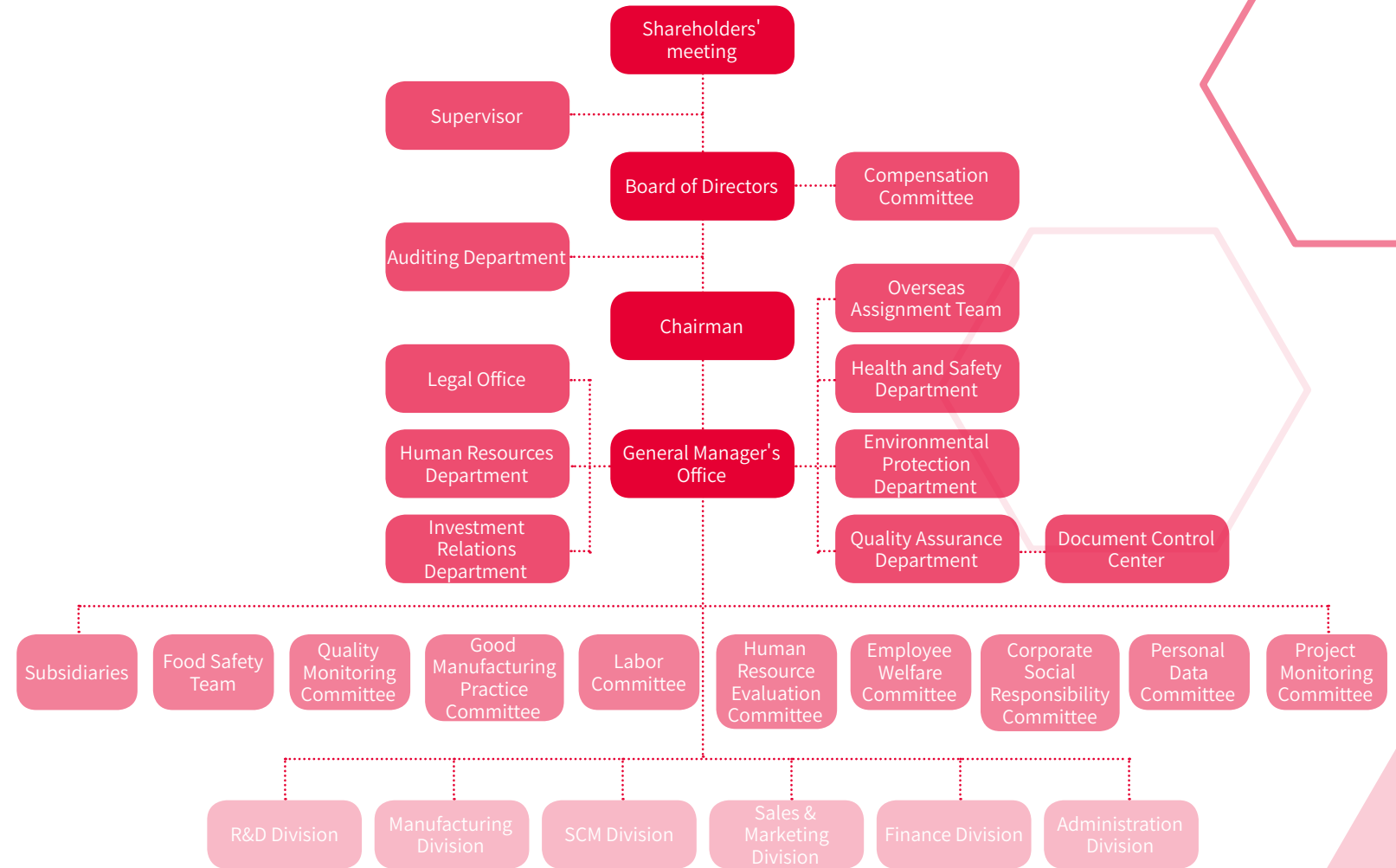
1.2.1 Corporate Governance Unit and Implementation

The Board of Directors is Grape King Bio's highest governance body. The Company appoints 9 Directors (including 3 Independent Directors and 2 female Directors) and 2 Supervisors (refer to the Annual Report for the list of members) in accordance with the Articles of Incorporation. Directors exercise their duties in accordance with their powers and determine the Company's business strategies and important items. Supervisors supervise all businesses of the Company in accordance with regulations in the Company Act. Our CFO is assigned as the corporate governance personnel on an irregular basis. The CFO and the Finance Division are responsible for providing information for Shareholders, providing Directors and Supervisors with information required for business operation, and arranging corporate-governance-related affairs for the Board of Directors and Shareholders' meeting.

Grape King Bio also established comprehensive corporate governance principles and regulations (detailed in 1.2.2 Corporate Governance Principles and Supervision Mechanisms) and facilitated corporate governance based on the following 4 core strategies for continuous improvement of quality.



Corporate Governance Organization



Core Strategy 1: Strengthen the roles and responsibilities of the Board of Directors and ensure that functions of Supervisors are fully exercised

Operation of the Board of Directors

Our Board of Directors consists of 9 members from diverse backgrounds. The members include Ph.D. in corporate management, university professors, and Directors and Independent Directors that have extensive experience in the industry. The Board of Directors convene at least one meeting every quarter; a total of 9 meetings were convened in 2018. The average attendance rate was 89% (detailed in the 2018 Annual Report). To fulfill supervision duties, the Board of Directors established the "Rules of Procedure for Board of Directors' Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" and specified in Article 15 of the Regulations that conflicts of interests must be avoided to ensure the integrity of governance functions.

Grape King Bio evaluates the independence of the certifying CPAs every year and submits the results to the Board of Directors for approval. Independent Directors' communicate with internal auditors and CPAs face to face periodically in order to fully implement the exercise of the functions of Independent Directors and gain advanced knowledge of the Company's financial reports and its financial and business status. We also purchase "Liability Insurance Policies for Directors, Supervisors, and Important Employees" periodically to reduce and control any risks caused by errors or negligence of Directors (please refer to the Annual Report for more information on the implementation status of the Board of Directors).

Operation of the Remuneration Committee

The Company established a Remuneration Committee with 3 members to strengthen corporate governance and improve the remuneration system of the Company's Directors, Supervisors, and managerial officers. The Remuneration Committee exercises the care of a prudent manager to fulfill their duties and offers recommendations for the Board of Directors. A total of 3 meetings were held in 2018. Grape King Bio appointed members of the fourth-term Remuneration Committee on June 11, 2018. The members were all Independent Directors of the Company.

Operation Status of the Supervisor System

Grape King Bio has elected 2 Supervisors in accordance with regulations to supervise the Company's execution of related accounting, auditing, and financial report procedures and the quality and loyalty to financial control. Their main duties are to exercise their duties in accordance with the Company Act and help the Board of Directors improve the quality of the Company's accounting, financial reports, internal control operating procedures, etc.



Core Strategy 2: Put emphasis on Shareholders' and stakeholders' equity

We have appointed a spokesperson, deputy spokesperson, shareholder services personnel, and legal personnel to process Shareholders' recommendations and disputes. We also assigned dedicated personnel to monitor the shareholding status of Directors, Supervisors, and major Shareholders with more than 10% of shares at all times and report on the shareholding status each month. We have established monitoring and control methods and internal controls for subsidiaries and strictly enforced risk management. Our "Ethical Code of Ethics" expressly prohibits insiders from using information that has not been disclosed on the market to purchase and sell securities. We have also implemented at least one education session for insiders to prevent them from performing operations with information that has not been disclosed on the market to protect Shareholder's equity.

The Company also implements an electronic voting system for Shareholders' meetings to provide Shareholders with diverse voting channels and discloses the results of the votes of all proposals in the minute book in order to facilitate Shareholder activism, make voting more convenient, and free Shareholders from the time and regional restrictions for the organization of Shareholders' meetings. This measure allows Shareholders to fully exercise their rights to effectively improve corporate governance performance.

We also established a designated contact window for investor relations including the "Contact Us" mailbox for opinions, consumer service hotline, and the Company's internal "employee mailbox" as well as the "Stakeholder Area" on the Company website to provide shareholder services and communication channels for investors, product consulting services, OEM services, suppliers, employees, report mailbox, and CSR issues. Responsible individuals at each department are assigned to respond to issues of concern of the stakeholders.

Core Strategy 3: Establish and implement internal control and internal audit systems

The Company designed and established the internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the Company's overall business operation to promote the healthy operation of the Company. The Regulations were passed in the Board of Directors to reasonably ensure the results of operations, efficiency, the reliability of financial reports, and compliance with related regulations. The Company established the Audit Department in accordance with laws to monitor the effectiveness and integrity of the implementation of our internal control system and carry out supervision and inspections. The Audit Department formulates annual audit plans in accordance with risk assessment and regulatory requirements and submits the plans to the Board of Directors for approval and implementation. The audit reports are audited by the Supervisors and Independent Directors. The Company's internal audit supervisors also attend meetings of the Board of Directors to report the implementation status of internal audits. There were no corruption or fraud incidents occurred in 2018 and Grape King Bio will continue to strengthen and establish comprehensive internal control systems to prevent corruption and fraud and reduce operating risks.

The Company established the "Report/Complaint Management Procedures" to provide stakeholders with dedicated complaint and report mailboxes and telephone numbers and prompt feedback mechanisms that secure stakeholders' interests.

(1) Report and complaint mailboxes:

Report mailbox: companyopinion@grapeking.com.tw

Complaint mailbox: employeeopinion@grapeking.com.tw; the recipient is set as the supervisor of the segment of the unit responsible for the affair.

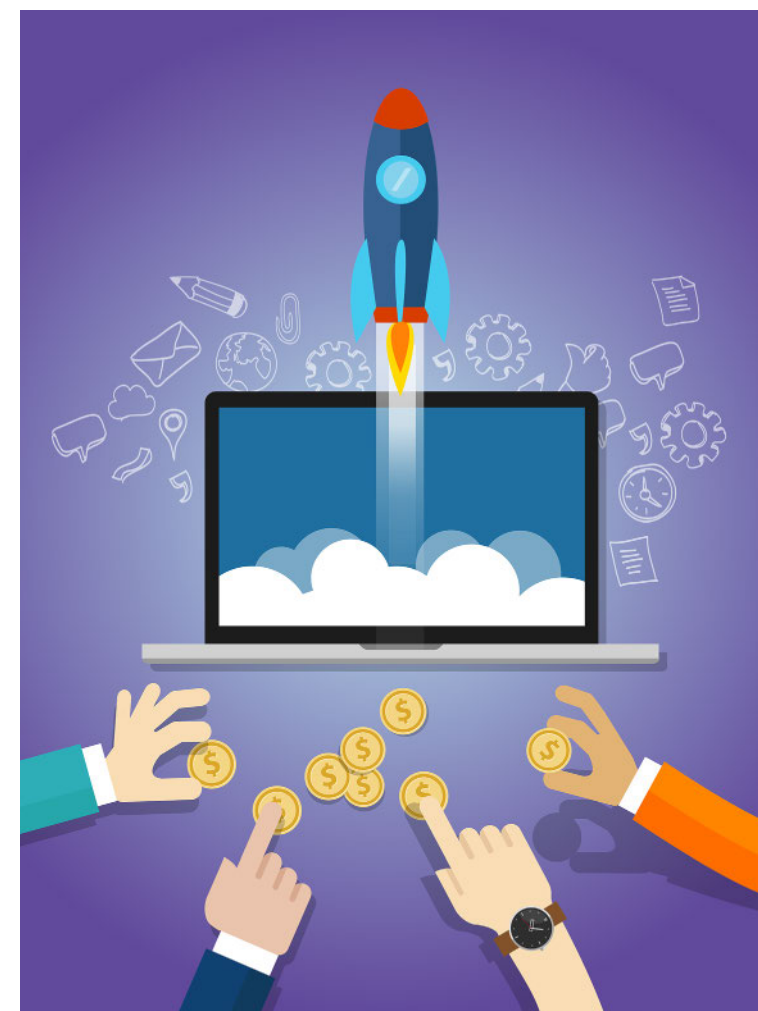
(2) Internal report and complaint phone number:

Report telephone number: +886-4572121#1999

Complaint telephone number: +886-4572121#1995

Core Strategy 4: Strengthen information disclosure and transparency

The Company has set up a website in both Chinese and English to disclose financial and corporate governance information such as the "Ethical Corporate Management Best Practice Principles," "Corporate Governance Best Practice Principles," and "Corporate Social Responsibility Best Practice Principles" (<https://www.grapeking.com.tw/tw/investor/governance/major-policies>). We have appointed specific employee in charge of the collection and disclosure of company information and implemented a spokesperson system. In the event of an institutional investor conference, the Company will disclose the information on the Market Observation Post System and provide the briefing on the Company's website to enable stakeholders to promptly understand the status of operation at Grape King Bio. (Shareholders section: <https://www.grapeking.com.tw/tw/investor/shareholder/shareholders-meeting>)



1.2.2 Ethical Management and Supervision Mechanisms

Policies

Grape King Bio shall comply with the operational philosophies of honesty, transparency, and responsibility. We established comprehensive Corporate Governance and risk management mechanisms to create an operational environment which is suitable for the Company's sustainable development.

Commitment

The Company has formulated the "Ethical Corporate Management Best Practice Principles" and designated the Finance Division as the unit responsible for ethical business management. It is responsible for implementing ethical corporate management and reporting the implementation status to the Board of Directors. The Audit Department also assists in the implementation of internal control to ensure the effective implementation of various regulations.

Goals

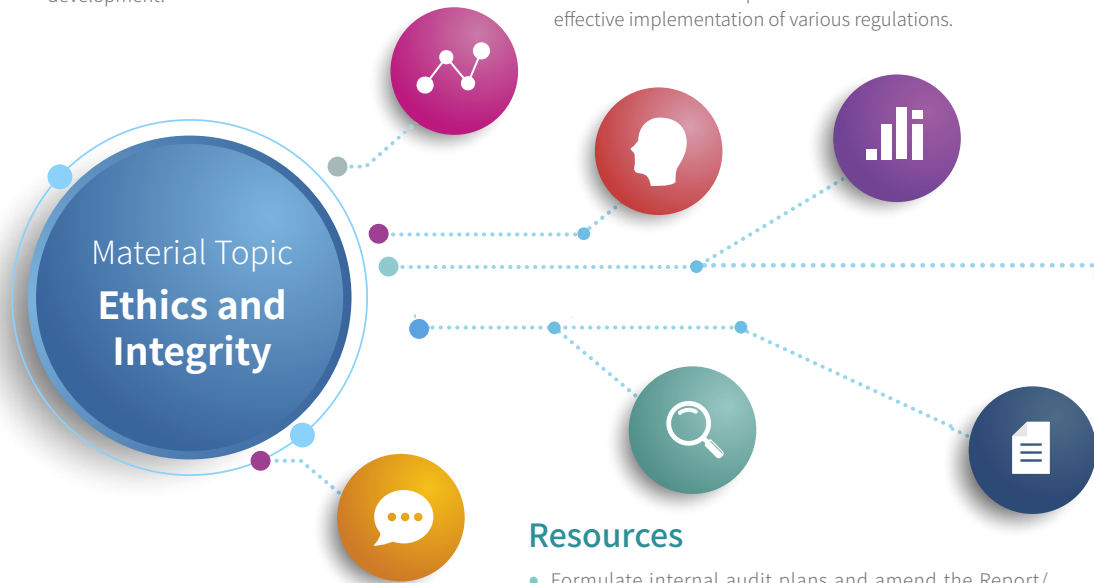
- Short-term** Educate employees on the codes of conduct of Grape King Bio
- Mid-term** Implement internal controls and internal audit systems and complete the annual audit plans
- Long-term** Strengthen the supervision and management of subsidiaries; ensure the integrity of the operating procedures for the production cycle and R&D cycle

Grievance Mechanism

Report/complaint mailboxes; internal report and complaint phone number

Actual Achievements

- The Board of Directors has designated a unit responsible for ethical business management as well as the advancement and execution of the ethical business operation.
- Strengthen disclosure and provide the "Ethical Corporate Management Best Practice Principles," "Ethical Code of Conduct," "Report/Complaint Management Procedures," along with other critical regulations on the official website. Management and complaint channels are also provided.
- We promote the ethical corporate management to all employees with a view to enhancing the level of their understanding regarding the concepts of ethical corporate management.
- We conduct tests regarding ethical corporate management for manager ranked employees and above. 91 employees have participated and the passing rate was 100% (the qualifying score is 80).
- Directors and Supervisors participated in courses on ethical corporate management (including the practices of insider trading and the impact of the latest amendments of the Company Act, legal liabilities for insider trading, and related case studies). The total number of participants is 15 and the total training hours was 45 hrs.
- The Company provided internal and external training programs on topics related to integrity management for 459 participants for a total of 1,292 hours.



Responsibilities

Internal responsible units: Finance Division, Audit Department

Resources

- Formulate internal audit plans and amend the Report/Complaint Management Procedures
- Strengthen internal awareness—the internal website, employee mailbox, bulletin board, education and training, and tests (officers)
- Promotion to suppliers—warnings on procurement form and surveys regarding the policy promotion

Ethical Code of Conduct

Grape King Bio supports and requires all employees to uphold the principles of honesty, rigorousness, and professionalism in related operations of their duties. They may not take part in any illegal or inappropriate activities and they may not participate or encourage others to conduct activities or facilitate relations that may compromise their duties or professional judgments. Professional practices should adhere to the "Ethical Code of Conduct," "Trade Secret Management Regulations," and "Regulations on Giving and Receiving Gifts". All confidential business and technical information of the Company or customers shall be kept confidential to protect the Company's reputation, goodwill and morals, and public order. We have adopted various education channels, such as the organization of education sessions, messages posted on the Company's internal website, and announcements to strengthen the necessity of compliance with the Ethical Code of Conduct so that all employees are aware of the importance.

- Do not accept bribes and gifts
- Do not harm the rights and interests of the company
- Do not maliciously boycott company policies
- Do not disclose business secrets
- Do not steal company property or public funds
- Do not seek personal gain by abusing one's position
- Do not get involved in an abnormal relationship with a business-related third party or our staff member
- Do not spread false Statements
- Do not commit any form of discrimination, sexual harassment, intimidation, threat, theft, corruption, dereliction of duty, and other illegal acts



Avoidance of Conflicts of Interest and Anti-Corruption

Ethical conduct is the cornerstone of sustainable corporate management. Grape King Bio has adopted a rigorous internal control system, internal communication, and the Ethical Code of Conduct to regulate actions and uses continuous promotion of ethical management notions to infuse them into the corporate culture of the Company. We require all employees to avoid any conflict of interest between their personal and the Company's interest or any potential impact. For this purpose, they shall avoid all conflicts of interest related to their duties and may not conduct any businesses, investments, or activities that may impact the Company's interests or cause conflicts of interest with the Company. In addition, we also strictly prohibit employees and partners from pursuing unethical conduct or corruption to prevent any occurrence of corruption.

The Company has formulated an Ethical Code of Conduct, Report/Complaint Management Procedures, and regulations on rewards and punishment to assist all members in understanding how to process issues they encounter during work. Actual measures include:

1. Establishment of the Ethical Code of Conduct and Report/Complaint Management Procedures
2. Regularly collect feedback from stakeholders and establish an anti-corruption telephone number and complaint mailbox
3. Include anti-corruption courses into the education programs for new employees and use tests to verify employees' awareness for anti-corruption measures

With regard to supply chain management, in the event that an employee collects kickbacks or other illegitimate interests during the transaction and fails to actively notify the Company, the supplier shall be punished and removed from the list of suppliers. For severe violations, the employee and supplier shall face punishments and shall be liable for related penalties in accordance with the Criminal Code without any exception.

Annual supplier policy promotion:

- (1) We randomly issued policy announcements to 135 suppliers with whom the Company has regular transactions, and a total of 114 suppliers responded to the questionnaire. The response rate was 84.4%.
 - With regard to promotion on the trade secret policy, 100% of the suppliers responded that they were aware of the policy.
 - With regard to promotion on the anti-corruption policy, 94% of the suppliers responded that they were aware of the policy.
- (2) The Company also added warnings on the procurement forms issued to external parties in order to strengthen the education of the trade secret and anti-corruption policies.



1.2.3 Financial Performance

Policies

On the basis of sustainable development, Grape King Bio continues to invest in raw materials and product R&D. The investments are coupled with precise sales plans to maintain the optimal capital structure and consolidate the Company's operation for the purpose of improving financial performance each year.

Commitment

We maintain a stable value creation for Shareholders and secure the trust of consumers and gain continuous profits through continuous innovative R&D and product quality improvement. We also maintain stable finances to ensure mutual benefits for Shareholders, creditors, and the Company in a whole.

Goals

- Short-term**
- Maintain continuous growth in revenue and stable profitability
 - Continue to invest in new patents and materials and store R&D capacity
 - Build the brand, launch new products, and continue to expand to young customer groups
 - Continue to search global partners and OEM/ODM customers
- Mid-term**
- Maintain continuous growth in revenue and stable profitability
 - Continual growth in R&D capability and commercialize the R&D results
 - Consolidate the Company's leading position in the health market in Taiwan
 - Implement a diverse brand strategy for various target groups
 - Continue to implement strategies for overseas expansion
- Long-term**
- Maintain continuous growth in revenue and stable profitability
 - Prioritize R&D and innovation and maintain the core competitiveness of the Company
 - Continual search for strategic partners and business opportunities to build our global business operation
 - Continue to strengthen and consolidate the Company's brand assets and image

Actual Achievements

- The consolidated revenue in 2018 was NT\$9,183,321 thousand
- The net interest rate was 20.58%; shareholder's equity was 28.51%; cash dividends distribution rate was 68.13%.
- The earnings per share after tax was NT\$9.57.

Resources

All units shall continue to invest resources in biotechnology equipment upgrades and R&D, multi-channel operation, continuous organizational transformation, and innovation in business operations.

Responsibilities

All units of the Company

Grape King Bio is founded on the basis of sustainable and stable growth, and it values communion with our stakeholders. The Company upholds the four major food safety policies including "continuous innovation, pursuit of outstanding quality, implementation of social responsibilities, and ensuring customer satisfaction" and it strengthens traceability management for raw materials provided by suppliers. The Company uses rigorous management mechanisms and expands quality management and inspections to strengthen all employees' commitment to product safety and health and achieve customer satisfaction. With the joint efforts of all employees, Grape King Bio has won the recognition and confidence of stakeholders, and its business revenue and overall business performance have also grown. The Company's consolidated revenue and profitability in the most recent three years were impressive. Our consolidated revenue in 2018 was NT\$9,183,321 thousand. Grape King Bio upheld Shareholders' interests, and the earnings per share after tax was maintained at NT\$9.57. We adopt a stable dividends policy to give back to Shareholders. Information on Grape King Bio's consolidated financial performance in the most recent three years is as follows:

2018 Consolidated Financial Information

Unit: NT\$1,000

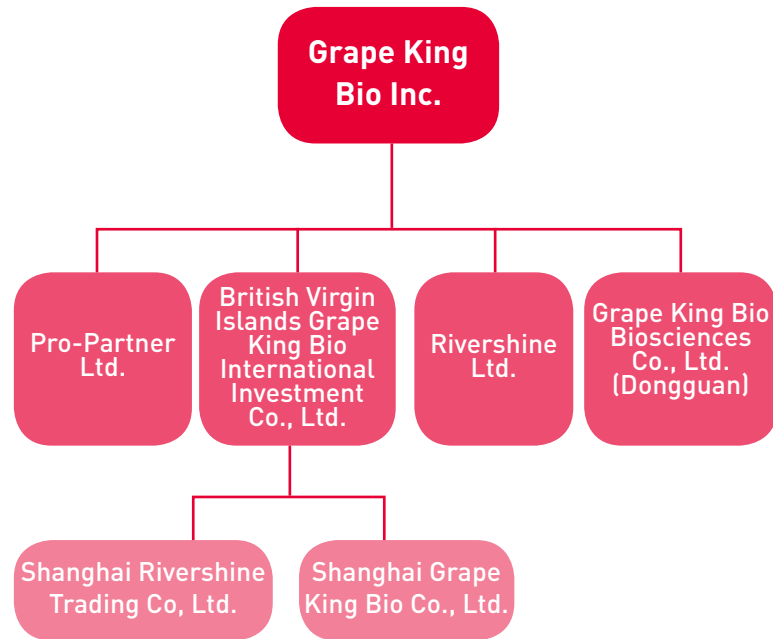
Item	Basic Elements	2016	2017	2018
Direct Economic Value Generated	Income*	9,185,021	9,388,128	9,183,321 (Note 5)
	Operating costs*	1,265,989	1,523,128	1,854,057
Distributed Economic Value	Employee salaries and benefits* (Note 1)	907,250	987,473	1,037,443
	Payment made to investors*(Dividends of the current year)	1,086,208	1,287,001	1,427,590
	Payments made to the government*(Note 2)	346,568	491,592	484,765
	Community investment (Note 3)	5,417	7,177	9,530
Retained Economic Value(Note 4)		1,886,920	1,934,732	1,890,072 (Note 6)

Note 1: Including bonuses, pension, payments deducted from salaries on behalf of employees, and other personnel costs
Note 2: Paid Income Tax **Note 3:** Expenditures for donations to government institutions as well as other club and neighborly charity expenses. The amount includes the expense of Tseng Shui Chao Welfare Charitable Foundation **Note 4:** The profit after tax of the current year **Note 5:** In 2018, according to IFRS No. 15, the Group reduced its revenue by the consideration paid to its customers. If the basis is comparatively consistent in 2017, the combined revenue is recorded with a 7.46% growth.
Note 6: The net income of land collection compensation was NT\$93,497 thousand in 2017. There was no similar situation in 2018. If the impact of land collection income was excluded in 2017, it would grow by 2.65% in 2018 compared with 2017. **Note 7:** The above amount is the audited final accounts compiled in accordance with IFRS.

*Assured by EY Taiwan

Joint Venture and Subsidiaries

The main businesses of Grape King Bio and its subsidiaries are the production and sales of beverages and healthy food products. Grape King Bio's independent and comprehensive industrial chain includes upstream development of key materials, such as lactic acid bacteria, lingzhi, Antrodia cinnamomea, midstream production, and packaging, to independent downstream channels and brand marketing. It also provides good domestic and international OEM services.



1.3 Risk Management

Policies

The Company evaluates the major risks of each unit based on financial, operational, strategic, and hazardous concerns. The risks can be mainly divided into four categories including financial risks, operational risks, strategic risks, and hazardous risks.

Commitment

- Ensure that the Company retains sufficient funding for payment for operational requirements and maintain sufficient unused loan credit limits
- Ensure that the Company continues to develop customers and suppliers; protects trade secrets, patents, and trademark rights; prioritize morals and skills when hiring employees and hire employees based on their talents; establish dual-direction communication and set up employee feedback channels
- Comply with related food safety regulations and continuously pay attention to international trends to identify risks and ensure quality and safety; analyze and evaluate changes in market demands and adopt various response measures
- Construct air pollution prevention equipment to ensure compliance with regulatory emissions standards



The biotechnology industry is characterized by high technical entry barriers, high cost, and high amounts of competitors. In response to such industry characteristics, Grape King Bio implements active mechanisms to face the changing environment. We categorize risks into 4 major types based on their attributes and develop response measures for financial, operational, strategic, and hazardous risks (as provided in the table below). Related segments perform periodic risk assessments to quickly respond to related incidents in order to reduce the impact.

Financial Risks -Descriptions and Response Measures

I. Interest rate risks

The risks mainly include changes in interest rates for the bank loan. The interest for loan accounted for 0.52% of the net profit before tax in 2018. Changes in interest rates had little effect on profit and loss.

II. Foreign currency risks

Currency risks derive mainly from accounts receivable and account payable in foreign currencies from business operation. The Company currently conducts transactions and purchases raw materials from local markets. Import/export and sales in foreign markets are few and therefore the foreign currency risks had relatively low impact.

III. Credit risks

Credit risks mainly involve irrecoverable accounts receivable. Grape King Bio requires collateral where appropriate based on the customers' financial status, past transaction experience, internal evaluation, the age of overdue accounts, and other standards to reduce credit risks for accounts receivable.

Operational Risks -Descriptions and Response Measures

I. Customer interests

- 1.The potential risks for customer interests lie in time differences in the data in our shipping and purchase order system which may cause an impact on the shipping progress such as delayed shipping or repeated shipping. Therefore, we plan to consolidate the shipping and purchase order system in January 2019 to improve the customer's purchasing procedures.
- 2.To protect customer interests and learn about the characteristics of Grape King Bio, we will organize internal training for customer service personnel such as customer complaint processing, product education and training, and communication skills.

II. Food safety risks

Food safety regulatory compliance risks

The Company adheres to the "Act Governing Food Safety and Sanitation" and international regulations on food safety management systems. Failure to comply with such requirements would result in potential risks.

1. We have established the following management mechanisms to ensure food safety and to meet the requirements of different safety management systems:
 - (1) Adopt the HACCP system in our plants to assess all potential risks on the production line and provide preventive monitoring measures
 - (2) Perform internal auditing each year to ensure the effectiveness and compliance of the system
 - (3) Analyze and review results in annual management review meetings and quality and sanitation meetings
 - (4) Grape King Bio adopts rigorous management mechanisms and uses state-of-the-art inspection instruments and professional quality management personnel to control raw materials and products and reduce food safety risks.

III. Procurement risks

The selection and inspections for raw materials start with the establishment of multiple principles and regulations in the procurement of materials before implementing international and domestic accreditation for tiered control. This ensures that the Company purchases safe raw materials which are included in the batch number management. Detailed records such as the product manufacturing date, the expiration date, the total amount of production, and product test records are maintained to establish comprehensive information on quality for all materials used in products.

IV. Supply chain risks

In addition to the traceability of imported materials, we implement supplier evaluation programs for regular materials from the initial qualification review and evaluation of samples to onsite surveys for suppliers and annual supply quality review. Each qualified supplier is required to undergo a series of inspections. We also compile suppliers and manufacturers' portfolios and their qualification summaries for future reference when purchasing. In addition, to ensure our smooth material supply, we implement a "second supplier system" so that we can replace suppliers that fail to provide stable supplies

V. Trade secrets and patents

We have formulated the Ethical Code of Conduct and strengthened employee training to ensure the confidentiality of our trade secrets. We regularly receive information from third parties regarding trends in the industry as well as patent and trademark rights. We also seek to safeguard our advantages and strengthen core technologies. We currently hold 55 patents and in 2018 we have 25 patent

applications filed along with the acquisition of 8 patents.

VI. Recruitment and talent cultivation

Changes in the economic environment may cause an outflow of talent and gaps in talent recruitment that may lead to gaps in internal manpower allocation. We have therefore formulated the succession and deputy plans and internal personnel training mechanisms (e.g. enrichment of job rotations) and added diverse recruitment channels (academic and government cooperation, internal recruitment, and internal recommendations) to minimize potential risks.

Strategic Risks -Descriptions and Response Measures

I. Legal compliance

We have the Legal Office and Audit Departments to ensure legal compliance and implementation of the internal controls system; Supervisors have also been appointed. In addition, we establish clear regulations for each segment with regular updates, analyze self-assessment implementation status, and implement training, audits, and inspections.

II. Product development and launch

Internal:

After the product design process in the laboratory, there may be risks of failure to meet expectations or product failure when the product enters mass production onsite. The following measures are adopted to address this issue:

- (1) Purchase test equipment (e.g. physical properties analyzer) and create a product parameter database to verify product parameters.
- (2) Verify the product formula in trial production in the laboratory before onsite trial production to verify product formula, filling and other properties.

External (Business end):

Products may face risks of poor sales performance or recall request. The Company must perform the following actions in concert with sales outlets to reduce such risks:

- (1) Conduct a comprehensive market survey before product development and focus on changes in market trends and consumer habits.
- (2) For a deeper understanding of changes in product trends and information for future products development, we keep track of market conditions after the products are put on the market

III. Marketing and markets

(1)With regards to PR management, we have full-time media monitoring, social media opinions monitoring, and monthly reports. We initiate weekly public opinion collection in the event of a major incident that breaks out on the news to quickly

respond to consumers so as to reduce operational risks..
(2) As for the marketing performance, we review the effectiveness of advertisement every week and evaluate their performance based on the actual sales each month. We organize business meetings every six months to adjust strategies in accordance with megatrends. We develop marketing plans for the following year every November to improve the accuracy of marketing strategies.

Hazardous Risks -Descriptions and Response Measures

I. Employee health and safety

To reduce occupational safety risks, we actively improve and strengthen safety in the workplace environment and hold regular safety and health education and training sessions. As employees may be unfamiliar with emergency response equipment and find it difficult to use or access such equipment, we plan to display the equipment in the guard post for contractors and employees to quickly respond in emergencies.

II. Climate change and environmental risks

The Company currently uses heavy oil, natural gas, and electric power as sources of energy to produce steam in the boiler. Electric power is used to generate power for all process equipment and air-conditioning equipment. Management mechanisms for potential risks are as follows:

(1) Environmental pollution caused by black smoke when heavy oil is not fully incinerated in the boiler

Based on the construction of the new external gas pipelines for Zhongli Plant, we expect to replace all existing heavy oil burners with gas burners in 2019 to prevent black smoke and CO2 generated by incomplete incineration.

(2) Sudden blackouts in Taiwan Power Company's grid caused by natural disasters
We adopted an underground power cable design for incoming power from TPC to prevent weather and natural disasters from affecting the transmission and distribution grid on utility poles. We also set up emergency generators and UPS uninterruptible power supply system to provide backup power and reduce losses caused by sudden blackouts.

(3) To prevent the gas pipelines damage that may cause gas leaks to pollute the environment, energy leaks that waste resources, and gas leaks that may cause panic to nearby residents, we have set up gas leak detectors in internal areas of the plant where the gas pipelines pass through. Signals on irregularities are transmitted to the guard post for 24-hour surveillance. We also arranged boiler operators to periodically patrol and inspect the operating status of gas pipelines and related auxiliary equipment.

1.4 Regulatory Compliance

Policies

Grape King Bio reviews the Company's all operating procedures based on the highest standards available. We constantly pay attention to the latest legal trends to adjust our own actions.

Commitment

Enhance employees' legal compliance awareness and performance to protect the corporate image and reduce legal risks

Goals

Short-term Minimize the number of law violations

Mid-term Cultivate legal compliance in all units

Long-term Zero major violation



Material Topic
**Regulatory
Compliance**

Responsibilities

Cooperative Entity:

Quality Assurance Department—Announcement of food safety regulations

Marketing Division—Media events

Business Unit—Consumers and channels

Resources

- The Company organizes education and training programs on the Copyright Act, Trademark Act, and E-Commerce Law of the People's Republic of China by legal personnel of the Company.

- The Company invests US\$18,810 per year on the newly purchased patent database which will be used for searches, plans, and monitoring in the future. All related units will regularly provide reports on the results.

Actual Achievements

- The Company has informed all employees on the Ethical Code of Conduct and corruption awareness.

- The Company purchased a patent database for the existing legal database system.

- The establishment and deployment of the trademark and patent management system.

All legal affairs and related disputes of Grape King Bio are processed by the Legal Office. In addition, we have established clear regulations for each segment, regularly updated such regulations, analyzed self-assessment implementation status, and implemented action plans for education, training, audits, and inspections. We purchased the legal source system in 2018. The system mails the latest amendments of regulations issued by the regulators and legal units, news on legal developments, analyses, latest interpretations, and drafts of laws each week for us to quickly comprehend the latest legal developments.

In addition, Grape King Bio also develop training projects to improve the effectiveness of legal education. We organized the "Analysis of the Contract Law of the People's Republic of China," "Education on Copyright Governance," "Design Patent Infringement Analysis and Strategies," and other courses in Taiwan; we also organized the "E-Commerce Law of the People's Republic of China" in Shanghai. As we have gradually promoted various legal compliance notions, we had only recorded one violation of environmental laws and regulations and two food advertisement publication violations as of the end of 2018. We did not receive requests from related units for the Legal Office to process violations of customer privacy or customer complaint cases. We were not subject to material fines of over NT\$1 million from administrative institutions.

Grape King Bio retains comprehensive internal document issuance and reception processing procedures. For an official letter issued by the regulators responsible for health and sanitation, the Administration Department shall collect the document, perform an evaluation, and provide recommendations on the necessity of filing complaints or improvement measures. It shall also notify related segments for them to understand the content of the official letter issued by the regulators. If the regulators request an interview for explanations, the Legal Office shall assign personnel to accompany related units and personnel to the interview.

Documents concerning other regulations shall be collected by the Administration Department and delivered directly to the corresponding segment. The segment shall determine whether to file a complaint through the Legal Office or process related penalties independently if it considers the official document to be reasonable and correct. Related items shall be discussed in supervisor meetings and the procedures shall be improved. A case closed report shall be formulated.

Procedures for Processing Regulatory Compliance Cases:



Regulatory Compliance Status in 2018

We have one case regarding a health product advertisement that violated the Health Food Control Act and one food advertisement that violated the Act Governing Food Safety and Sanitation in 2018. The Legal Office immediately notified the business units to remove the ads and required project reviews in accordance with the Company's procedures when ads are updated.

Violations in 2018	Level	Subsequent Improvement
The contents of the online advertisement for the product "Grape King Bio Ling Zhi Antiallergy Capsule" was in violation of the Act Governing Food Safety and Sanitation.	Advertisement on health food products may not exceed the permissible scope.	<ol style="list-style-type: none"> 1. After receiving the official letter, the Legal Office requested the business units to remove the disputed advertisement, followed by the adjustments. 2. The Legal Office issued notices to the Innovation & Research Center, Sales and Marketing Division, Quality Assurance Department, Product Planning Section, Marketing Section, and other employees of the Legal Office.
The contents of the online advertisement for the product "Grape King Bio Slim Turmeric Complex Capsule" was in violation of the Health Food Control Act.	Website advertisement	The Department of Health had requested the Company to provide an explanation and had requested adjustments based on the review standards for advertisement in order to prevent reoccurrence of such violations.

1.5 Associations

Association Participation	Management Roles	Member
International Life Sciences Institute Taiwan	Senior Executive Vice President Chin-Chu Chen serves as Supervisor	●
Taiwan-Japan Business Exchange Association		●
Health Food Society of Taiwan	Senior Executive Vice President Chin-Chu Chen serves as Director.	●
Taiwan Association for Food Science and Technology	Senior Executive Vice President Chin-Chu Chen serves as Supervisor	●
Agricultural Chemical Society of Taiwan	Senior Executive Vice President Chin-Chu Chen serves as Director.	●
Mycological Society of Taiwan	Supervisor	●
Biotechnology and Bioengineering Society of Taiwan		●
Taiwan Association for Lactic Acid Bacteria	Senior Executive Vice President Chin-Chu Chen serves as Standing Director.	●
Taiwan Testing and Quality Assurance Society (TTQAS)	Deputy Director Sheng- Jie Xu served as Director.	●
Taiwan Health Food Industry Development Association	Standing Director	●
Taoyuan Pharmacist Association		●
Taiwan Functional Food Industry Association	Senior Executive Vice President Chin-Chu Chen serves as Director.	●
Taiwan Association for Food Protection	Director	●
Research Center for Biotechnology and Medicine Policy		●
Institute for Biotechnology and Medicine Industry		●
Taiwan-Japan Business Exchange Association		●
Taiwan Halal Integrity Development Association		●
Taiwan Quality Food Association		●
Taiwan Accreditation Foundation		●
The Institute of Internal Auditors, R.O.C.		●
Taiwan Pharmaceutical Manufacturers Association		The Chairman is a member. ●
Taoyuan City Industrial Association		●
Taoyuan City Chamber of Commerce		●
Taoyuan Importers & Exporters Chamber of Commerce		●
Taiwan Institute of Directors		●
Chinese National Association of Industry and Commerce, Taiwan		●
Taoyuan Tourism Factory Advancement Association		●



2018
Corporate Social
Responsibility Report

Preface

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



2.0

Product Liability



With our commitment to look after public health. Grape King Bio regards product liability as the most important part of our operation and production. Therefore, we manage all aspects of the production process with the most stringent quality and sanitation standards. Grape King Bio has also obtained multiple accreditations for quality systems. Our four major food safety philosophies include "continuous innovation, the pursuit of outstanding quality, implementation of social responsibilities, and ensuring customer satisfaction". We hope to develop more high-quality products, implement the annual quality targets established in the factories, and organize charity events from time to time to give back to society. We hope that the general public understands Grape King Bio's dedication so that customers have more confidence in the products we produced.

Grape King Bio's food safety target for 2019 is "Zero product recalls for food sanitation and safety issues." We hope to implement strict controls in all steps from the procurement of raw materials, processing, packaging, to sales in order to achieve food safety standards and customer satisfaction, which eventually create core value for Grape King Bio.

Food Safety

Quality

Act Governing Food Safety and Sanitation and other laws and regulations
ISO22000, FSSC22000, NSF GMP, TQF, and ISO/IEC17025 TAF certified laboratories



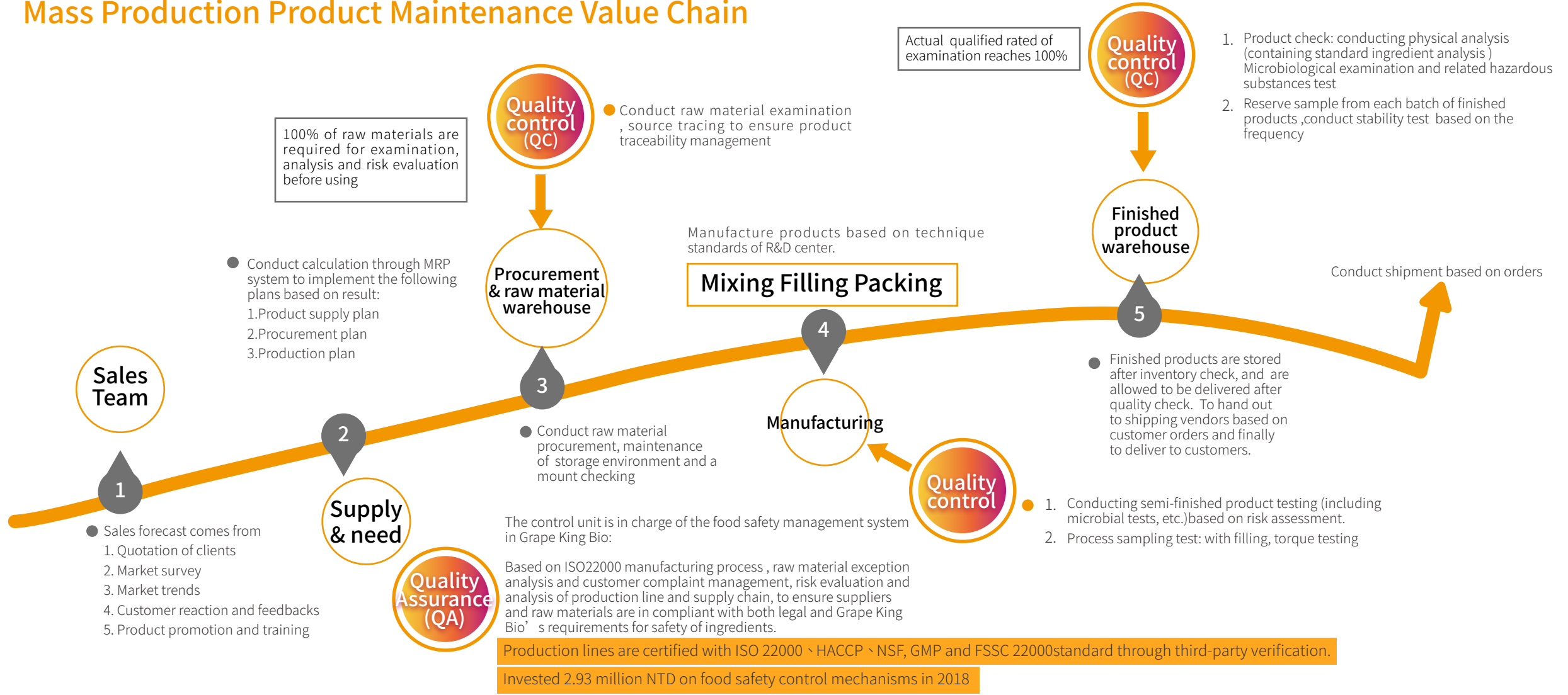
Safety

Safety Management
Hazard Analysis and Critical Control Points (HACCP)

Health

Health Management
Good Hygiene Practice (GHP)

Mass Production Product Maintenance Value Chain



2.1 Raw Material Management

2.1.1 Procurement Strategy

All purchases of raw materials by Grape King Bio must meet the Company's procurement policies that are committed to implementing local procurement instead of adopting price as the sole criterion for the purchase of materials. This would allow suppliers to provide higher quality raw materials and improve the quality of our products. This would contribute to consumers' peace of mind when making purchases. This strategy allows us to create a scenario where all three parties (suppliers, Grape King Bio, and consumers) ultimately win out.

Procurement Regulations

The supply of high-quality products increases consumer confidence and willingness to make purchases. In practice, Grape King Bio's measures for strengthening control over raw materials include:

All raw materials suppliers must meet the following requirements

-  (1) They must be legally registered in the government's food industry registry system.
-  (2) They must be approved by the R&D and related departments.
-  (3) They must provide comprehensive product information for analysis and comparison and they may not alter the packaging or replace labels.
-  (4) Raw materials imported from foreign countries must be provided with licenses and imported with the original manufacturer's packaging.
-  (5) Raw materials must be stored in accordance with regulations and provided with related licenses.
-  (6) Changes in related information of raw materials shall require the reimplementation of the evaluation procedures.

2.1.2 Incoming Raw Materials Inspection

Incoming Raw Materials Inspection Procedures

100% of the raw materials used by Grape King Bio are subject to input inspections. In addition to the rigorous review of inspection reports submitted by suppliers, we also added inspection items related to food safety factors to implement acceptance inspections for raw materials. In the event that materials do not meet acceptable standards in the input inspections, the Product Control Department will notify the purchase unit to request a replacement and renewed inspections, and at the same time, urge the supplier to formulate an improvement plan to prevent reoccurrence in order to use better raw materials to produce high-quality products.



Raw Material Inspections and Traceability

1. Certified Laboratory

After Grape King Bio obtained the ISO/IEC 17025 Testing and Calibration Laboratories certification in 2015, we expanded analysis capabilities and the scope and added accreditation items. The scope of our inspections includes inspection items for physical properties, sanitation regulations, and food safety-related factors. The inspection methodology was certified by TAF, and the laboratory personnel also participate in tests conducted by third-party laboratories to verify the high standards of the Company's Laboratory.

Our Laboratory is a certified TAF laboratory, and it operates in accordance with the ISO/IEC 17025 standards. Until 2018, 92% of the employees in the Laboratory have obtained ISO/IEC 17025 training certificates, and 32% of the employees in the Laboratory have obtained internal audit training certificates. All employees in the Laboratory are expected to obtain ISO/IEC 17025 training certification by 2019.

2. Inspection items

Grape King Bio has two certified laboratories for input materials inspections that conform to international standards. Each batch of raw materials must pass laboratory inspections before being used for production. We have inspection items including residuals of 373 types of pesticides, 9 types of plasticizers, 5 types of microbes, and 4 types of heavy metals, etc.

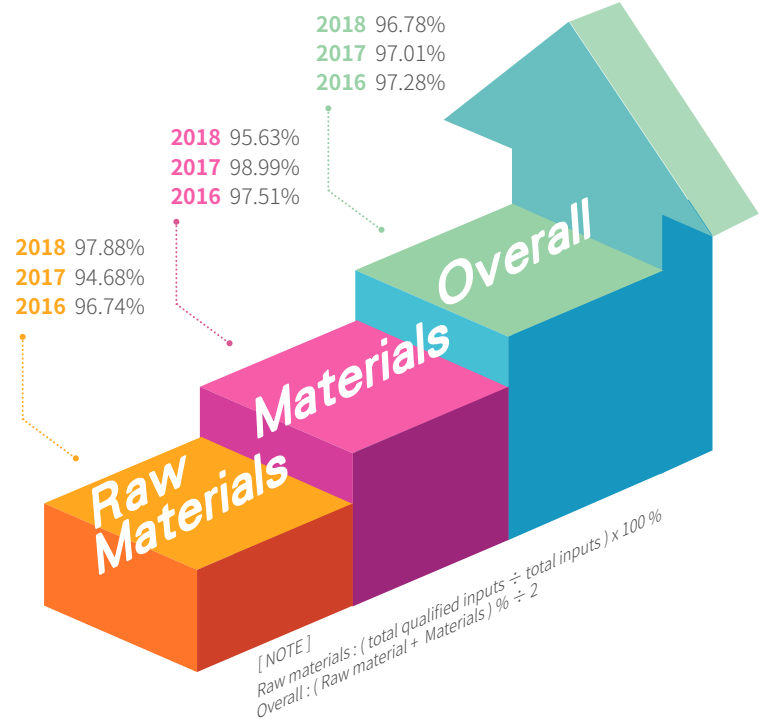
In September 2018, Grape King Bio's Inspection Center (Pingzhen) obtained TAF certification for plasticizer tests.

In October 2018, Grape King Bio's Inspection Center (Zhongli) obtained TAF certification for salmonella bacteria tests.

3. Raw materials inspection and management

Raw materials used by Grape King Bio are managed by batch numbers, and the source can be readily traced. The Company uses regular simulated recalls to verify the use of the traceability system and strengthen employees' food safety protection concepts. The system reduces potential food safety issues and helps maintain quality for customers starting at the source. Grape King Bio's raw materials inspection qualification ratio in the past three years are as follows:

Statistics regarding the pass rate of the raw material assessment

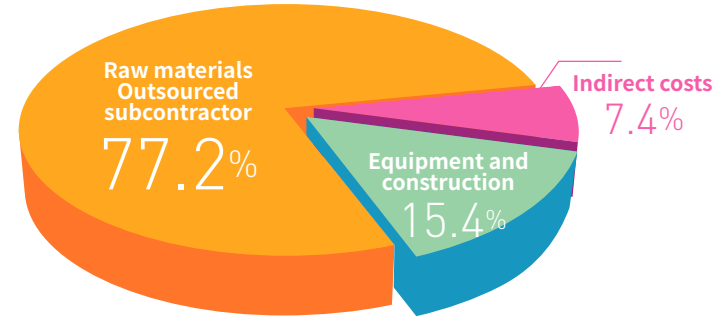


Grape King Bio maintains more rigorous regulations for acceptance inspections of raw materials than laws and regulations to safeguard food safety for consumers. Therefore, when raw materials are found to be inconsistent with our quality requirements, the Company reviews them based on laws and regulations to verify that the results of inspections meet regulatory standards and do not cause food safety concerns before allowing the use of such materials. If the raw materials meet regulatory requirements but cause safety concerns to the human body, they shall be processed as rejected materials. If quality irregularities are found during the semi-finished goods stage, they shall be processed in accordance with the same principle. Unused raw materials shall be rejected, and semi-finished goods shall be discarded and shall never enter the market.

2.1.3 Local Procurement

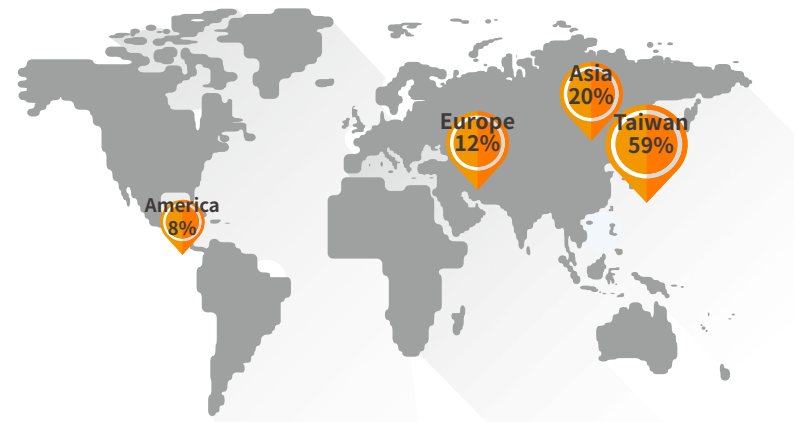
Grape King Bio is dedicated to the development and purchase of green products, and the Company also values food safety and environmental protection as well as suppliers that protect labor rights. The Company prioritizes such companies in procurement. Considering the cost of transportation and environmental protection issues, the Company purchases from domestic suppliers whenever possible so as to reduce the impact on the environment in the transportation process. This strategy also helps the development of the upstream raw materials industry in Taiwan. Grape King Bio's distribution of purchases in 2018 was as follows:

Category of Purchase Amounts in 2018



The geographic distribution of Grape King Bio's sources of raw materials procurement is illustrated below. Local purchases of the year accounted for 59%.

Classification of purchase versus raw material expenses- categorized according to geographical distribution



Grape King Bio seeks common growth with supplier partners in all areas to jointly expand the benefits of social responsibilities in the supply chain, manage their business operations in a responsible manner, and supply us with high-quality and practical raw materials in order to create a value chain dedicated to Grape King Bio.

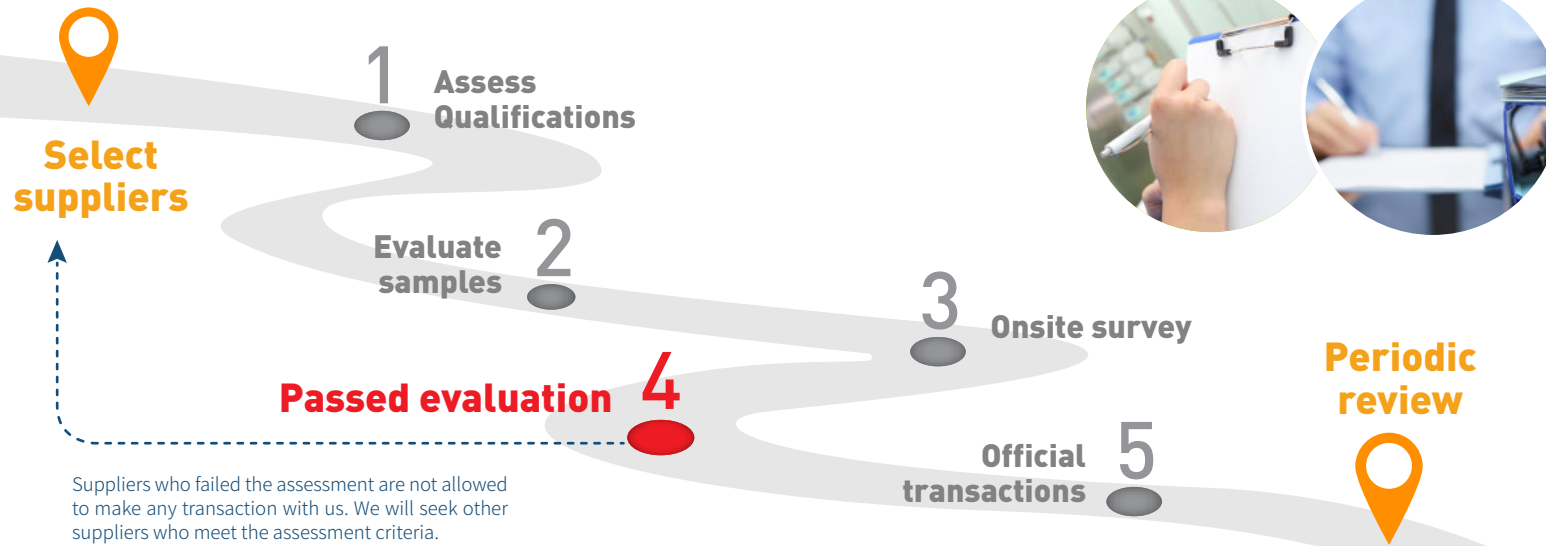


2.2 Supply Chain Management

The quality of raw materials is controlled by the Quality Control Department, and multiple factors are adopted as our criteria for reviewing raw materials suppliers, including legal sources, solid reputation, protection of employee interests, and emphasis on food safety and environmental protection. Only a set of values consistent with those of the suppliers could ensure the quality of Grape King Bio's products. Our management and review of suppliers can be divided into (1) new suppliers, (2) existing suppliers, and (3) engineering contractors

2.2.1 Evaluation of New Suppliers

We uphold five steps for supplier evaluation as follows:



Legal and honest businesses are selected in the qualification assessment and the specifications of the samples provided must meet internal requirements for the selection of suppliers. The supplier's documents are subsequently reviewed and the supplier is required to provide business incorporation and factory registration certificates to verify that it is a legal company and factory. The supplier shall also provide accreditation certifications for the Company to assess whether the supplier's systems are comprehensive.

Grape King Bio shall formulate an inter-departmental team for supplier evaluation. We assign evaluation teams to perform audit and review on raw materials suppliers to evaluate whether suppliers meet related regulations and supervise their improvement in order to implement risk management for the supply chain. Only suppliers that meet Grape King Bio's requirements for scoring conditions can continue to be Grape King Bio's suppliers. The evaluation procedures include 1) onsite evaluation and 2) auditing and following up improvement.



Functions and Duties of the Supplier Evaluation Team

- 
R&D

Verify the specifications of new materials, trial production of samples, and participate in the evaluation of suppliers when necessary.
- 
Procurement

Supplier selection and evaluation, supplier assessment, grading, and compilation and filing of assessment information.
- 
Quality Control

Responsible for inspections on suppliers' samples and supplier evaluation.
- 
Quality Assurance

Responsible for verification of related quality information and supplier evaluation.
- 
Manufacturing/Warehouse

Responsible for evaluating the supplier's capacity and environment and supplier evaluation.

1. Onsite Evaluation

The supplier shall provide internal management and control documents, production records, product hazard analysis, or certificates of analysis (COA), and other related information for its plant. The evaluation also includes inspections on actual production and operation areas of the plant and assessment of the supplier's safety and sanitation measures, status of machinery and equipment, quality and design, raw materials management, process management, finished product management, correction of irregularities, customer complaint processing, labor safety, and corporate social responsibilities.

Onsite survey of suppliers



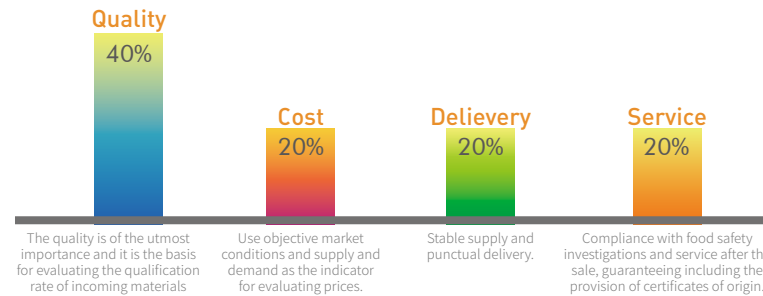
2. Auditing and Following up Improvement

After the onsite evaluation, Grape King Bio formulates a list of recommended items for improvement to the supplier, and the parties exchange opinions before performing a secondary review on the final evaluation results. The Company shall suspend cooperation with suppliers that exhibit material discrepancies until suppliers make improvements on their discrepancies.

2.2.2 Evaluation of Existing Suppliers

1. Annual Evaluation

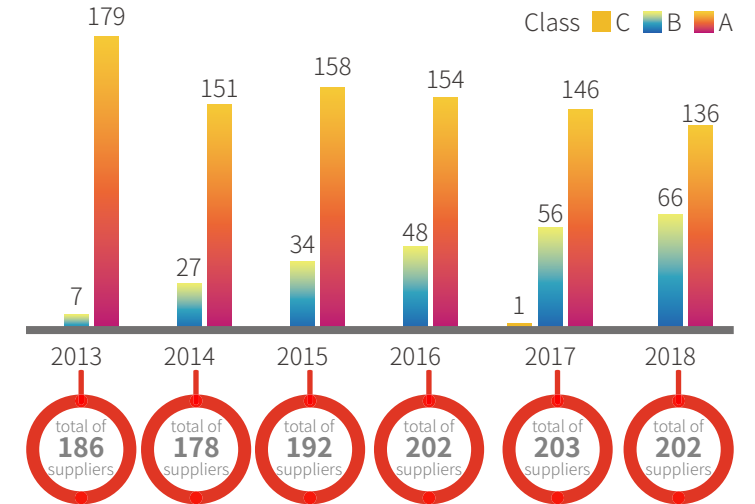
Grape King Bio conducts annual evaluations on our raw material suppliers and outsourced subcontractors based on four major assessment criteria, Q (Quality), C (Cost), D (Delivery), and S (Service/cooperation). The final grading will be given based on risk management procedures. Suppliers with a score of 81 or above are classified as Class A—Superior Suppliers, while the ones with a score of 80 to 65 are classified as Class B—Qualified Suppliers. For those with a score less than 65, they will be classified as Class C—Unqualified Suppliers. Existing suppliers with severe quality issues or key materials producers will be prioritized in the arrangements for site visits.



202 Raw material suppliers were audited in 2018 and the audit percentage reached 100%. With thorough assessments and scrutiny, all suppliers were classified as Class B or above and regarded as excellent suppliers of Grape King Bio. Grape King Bio's supplier evaluation results in the most recent three years are shown in the table below:

Year	2016	2017	2018
Total number of raw materials suppliers	202	203	202
Number of audits taken	202	203	202
Audit percentage	100%	100%	100%
Class A	154	146	136
Class B	48	56	66
Class C	0	1	0
Pass rate	100%	100%	100%

The annual evaluation performed of each year

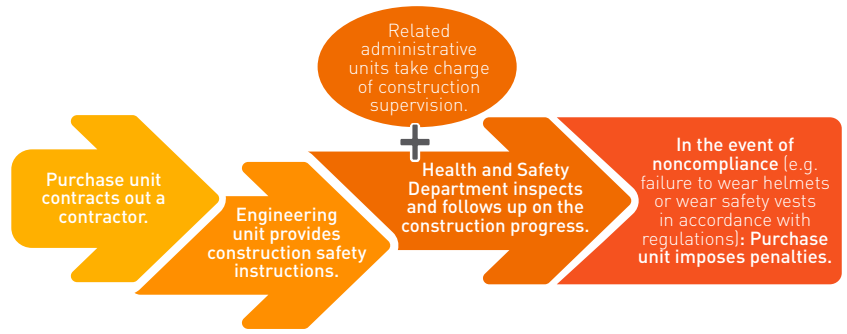


Score range description: A score of more than 80 is classified as Class A excellent supplier; a score from 65 to 80 is classified as Class B qualified supplier; and a score of less than 65 is classified as Class C suppliers, who are disqualified and no transactions shall be permitted.

We will suspend purchasing from any unqualified suppliers. In the meantime, we provide consultation and assistance for goal setting so that suppliers can improve their performance to meet our expectations. By virtue of the evaluation process and consultation mechanisms, early detection of potential problems can be generated, and we can work together with our suppliers to develop appropriate solutions for continuous improvement and refinement.

2.2.3 Engineering Contractor Management

Besides prioritizing domestic companies, Grape King Bio selects our engineering contractors based on government procurement law and conducts the process in open and fair evaluations to evaluate, compare prices, or negotiate prices for the selection.



The Company has designed a "Hazard Prevention Notice" for our engineering contractors prior to the construction process. We actively promote our Notice through consultation, inspection, an announcement to remind our contractors on their safety management and to strengthen workers' safety awareness and ensure their safety in the workplace. There were no contractor safety-related accidents in 2018.



2.3 Food Safety Responsibilities

Policies

Continuous innovation, the pursuit of outstanding quality, implementation of social responsibilities, and ensuring customer satisfaction

Commitment

Develop healthy and high-quality products for consumers that embody the concept of "Live Healthy, Think Grape King."

Goals

- Short-term**
 - Continue to strengthen source management and complete traceability management for all products
 - Implement acceptance inspections for raw materials and use high-quality raw materials for production
 - Continue to adopt international accreditation and strengthen our quality management system
 - Management and sanitation personnel of all production lines perform sanitation inspections each day to verify the cleanliness of personnel, machinery, and the environment.
- Mid-term**
 - Stabilize product quality and provide consumers with high-quality and healthy products to improve the Company's brand image
 - Regularly execute simulated recalls and internal audits to ensure the effectiveness of the quality management system
 - Regularly participate in tests on capabilities organized by third-party accreditation institutions to maintain high levels of inspection standards
- Long-term**
 - Ensure that all products meet the food safety standards announced by TFDA
 - Continue to pay attention to domestic and foreign food safety incidents and conduct independent inspections to ensure quality
 - Zero product recalls for food sanitation and safety issues
 - Adopt ISO/IEC 17025 regulations to govern the inspection center

Material Topic Food Safety

Responsibilities

External responsibilities Act Governing Food Safety and Sanitation, Good Hygiene Practice (GHP), Taiwan Quality Food (TQF), ISO 22000 & HACCP Food Safety Management System, FSSC 22000 Food Safety Management System, National Sanitation Foundation's Good Manufacturing Practice (NSF GMP), Halal certification, Health Food Control Act, Food Manufacturer Registration Platform, and laws and regulations published by TFDA

Internal responsibilities Internal responsibilities—Food Safety Team, maintenance of various food safety management systems, maintenance of HACCP plans for products, sanitation management procedures, and quality irregularity processing procedures

Resources

Personnel: Added 3 inspection personnel

System: Digital inspection forms and ISO/IEC 17025

Equipment: Continuous diluter, total organic carbon (TOC) analyzer, Karl Fischer moisture meter, liquid chromatography, temperature-controlled tank

Actual Achievements

- The Company uses digitalized inspection reports to connect production orders and product inventory and optimize product release procedures.
- The Company promotes the concepts of the certification laboratory and quality management and arranges multiple laboratory personnel to accept training by external units and issue certifications.
- The Company added 2 international certification items for the inspection center to provide a broader range of safety protection.
- Laboratory personnel optimized and established 14 inspection methods to add additional checkpoints for evaluating the quality of raw materials.
- The system calculates the validity period of products to prevent human errors in calculations.

Food safety has always been one of the key issues for the public. As food safety awareness continues to grow in recent years, consumers have greatly increased their demand for quality. Food manufacturers should also learn from mistakes of other manufacturers in food safety incidents to strengthen internal control for quality. The goals of Grape King Bio's food safety policies are "continuous innovation, the pursuit of outstanding quality, implementation of social responsibilities, and ensuring customer satisfaction." In addition to compliance with legal and regulatory requirements, the Company also continues to make improvements to satisfy customers and shoulders the responsibilities for meeting social expectations.



(1) Regulatory compliance:

Verify food additives to ensure the use of legitimate food additives and perform QC of purchased raw materials and control the validity to avoid misuse of expired raw materials

(2) External risk reduction:

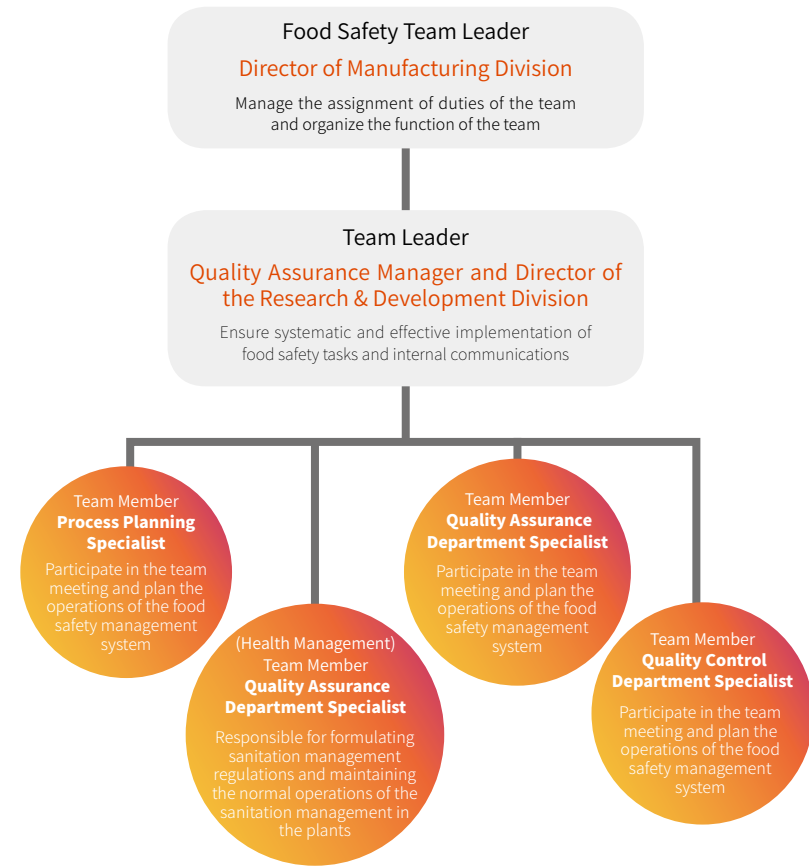
Build suppliers and manufacturers' portfolios and their qualifications as a reference when purchasing; when a food safety incident occurs, use the system inquiry function to verify and perform instant response

(3) Internal management enhancement:

Provide information such as product manufacturing date, expiration date, the total amount of production, and product test records to ensure all quality attributes and product information for raw materials can be fully traced and managed

(4) Food safety guarantee: Focus on three dimensions of management for food safety: 1. sanitation regulations and training; 2. product traceability and management; 3. product quality and inspections

2.3.1 Food Safety Team



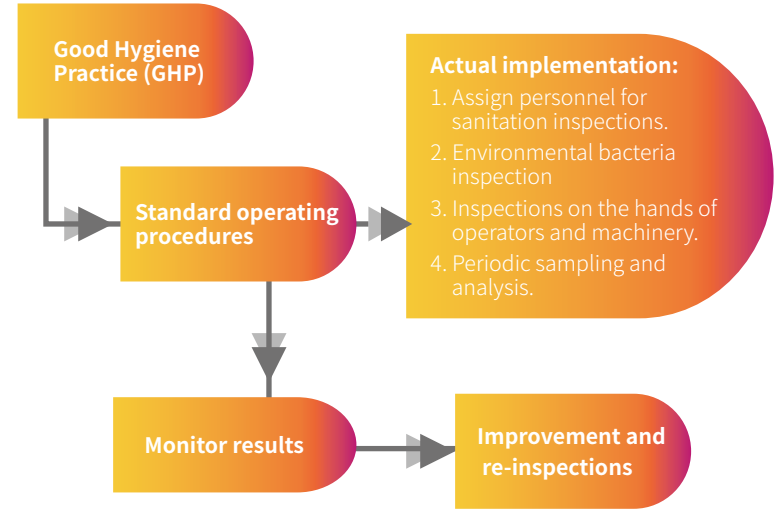
The Food Safety Team discussed the quality targets, simulated product recall, changes in the management system, document updates, education on regulations, internal and external inspections and reviews, results of sanitation monitoring, and customer complaint analyses in the management review and discussion meeting this year. We also established related goals for the next year and reviewed the regulations to be promulgated or drafted for review this year to ensure compliance with regulations.

2.3.2 Sanitation Regulations and Training

Grape King Bio always values employee training. In addition to conducting internal training pursuant to the government's regulations, the Company also sends employees to receive external training, expanding personnel's knowledge required by each segment in order to further improve the Company's food safety and sanitation.

1. Sanitation Requirements for the Production Environment

(1) Adopt Good Hygiene Practice (GHP) as basic principles



Related management regulations have been established for the sanitation management of the surrounding environment of the plant, environment of the plant, operations personnel, and machinery and equipment.

(2) Assign personnel for sanitation inspections

In addition to periodic inspections for the sanitation of the plants, the Company also adopts environmental bacteria inspections at fixed intervals as well as periodic sampling sanitation inspections for the hands of operators and machinery. At least 650 inspections are performed each month through periodic and multiple sampling methods to monitor and prevent hazardous factors in the environment that may cause contamination.

If the inspection results show signs of noncompliance, improvement, and re-inspections are immediately performed. The actual compliance ratio (including improvements) is up to 100%. The results of annual inspections are also analyzed and discussed in the quality and sanitation meetings with a view to maintaining quality and making gradual improvements each year.

2. Sanitation Training Regulations and Implementation Status

(1) Compliance with Good Hygiene Practice (GHP)

Grape King Bio complies with the regulations of the "Good Hygiene Practice (GHP)" and provides education and training to new employees in food manufacturing to ensure that they meet requirements for sanitation and quality management. Current employees are provided with education and training for food safety each year. The education and training provide them with intensified knowledge of sanitation and allow them to understand the reasons for the requirements and to actively perform sanitation management.

	Mandatory Personnel	Routine Education and Training	Plant Implementation Status
Food Processing Operating Staff	New Food Processing Personnel	Production, quality and sanitation management, and document control	In 2018, training was provided by the unit supervisor of production. Training for the quality system, sanitation regulations, and document controls was provided by the quality departments; tests were administered after training.
	Employed Personnel	Food safety, sanitation, and quality management	In 2018, training was provided by the quality departments, and tests were administered after courses.
Food Safety Team	Hygiene Management Specialist of the Food Production Plant	8 hours of repeated training each year	8 hours/year training was completed in 2018.
	Food Safety Control System Work Team Members	12 hours of repeated training every 3 years	12 hours/3 years repeated training was completed for all members in 2016.

(2) Increase Diverse Education and Training for Comprehensive Food Safety Management

In response to the different food safety management systems adopted by Grape King Bio, in addition to the basic GHP, the Company also added education and training for ISO22000, HACCP, NSF GMP, TQF, FSSC 22000, and Halal certification. Related departments in the entire quality management system jointly participate in the education of the food safety provisions and management system in order to operate and maintain the system.

(3) Establishment of the Hygiene Management Specialist

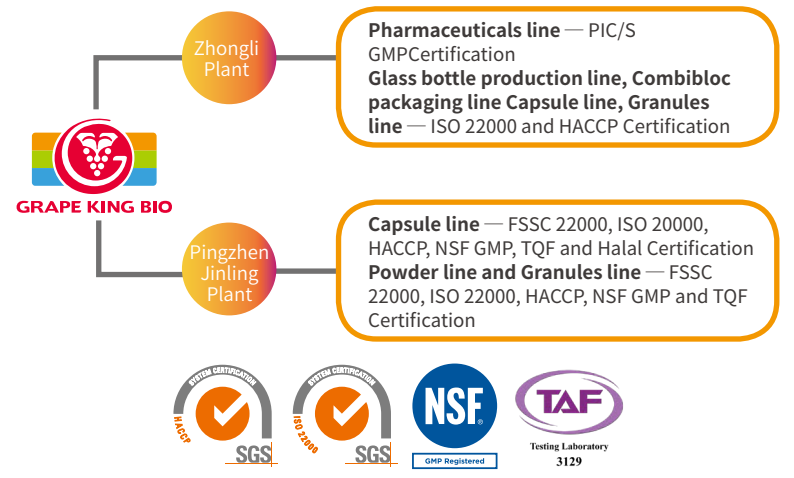
Grape King Bio established dedicated sanitation control personnel according to the "Regulations Governing the Establishment of the Sanitation Control Personnel of Food Manufacturing Factory". They receive the sanitation lectures organized by the competent authorities or food sanitation related agencies for at least eight hours each year. Three sanitation control personnel have been assigned to Grape King Bio Zhongli Plant and Pingzhen Plant, and all of them have completed the training in 2018.

(4) Training for Food Safety Team Members

The Hazard Analysis and Critical Control Points (HACCP) team plans and maintains operations for food safety. Members of the team have obtained at least 30 hours of qualification certification in food safety control systems. They also accept related education and training during their employment, and they accumulate at least 12 hours of courses every three years. All members of the HACCP team meets the requirements in the "Food Safety Control System Standards".

(5) Full Implementation of Food Safety and Sanitation

We have established related management regulations for personnel, site of operations, sanitation management, and quality assurance systems in accordance with the "Act Governing Food Safety and Sanitation". The Company also strictly adheres to related regulations to implement food safety and quality management. Therefore, 100% of our products have gone through comprehensive food safety, sanitation, and quality management. In addition, our Zhongli and Pingzhen Plants have obtained the following accreditation, and therefore 100% of all products are manufactured on production lines that receive international food safety and health management accreditation.



2.3.3 Traceability and Management

Grape King Bio has established the following systems, regulations, and codes of conduct to achieve the maximal efficiency in effectively implementing product management and maintaining customer satisfaction.



1. Food Safety Traceability System

In order to strengthen our supplier management system and to ensure the quality of our products, Grape King Bio has set up a "Food Safety Retrospective Management System" since 2015 to impose strict control on raw materials, production process, and quality of final products. We then integrated documents related to our products, OEMs, raw materials for ODM products, additives, and suppliers, and archive them onto our intranet platform. With this, we can increase the traceability of various products to put our commitment to "Compliance," "External risk reduction," "Internal management enhancement" into practice, and to realize our promises to assure food safety.

We registered our product-related information onto the government's compulsory registration system for food industry manufacturers. In addition to strengthening the self-management of manufacturers, this can provide a quick and effective way of tracking the flow of raw materials and final products as well as potential causes of any food safety incidents.

2. Registration and Traceability Management

Grape King Bio actively registers information in accordance with requirements within the period specified by the Food and Drug Administration. We believe that every detail regarding sanitation and safety in the food production and sales process is closely related. From the perspective of advancing overall industrial development to allow the Taiwanese food industry to achieve comprehensive and efficient advancement, Grape King Bio spared no efforts in supporting the food safety programs and policies advanced by the government.

Grape King Bio improves requirements for the quality system and focuses on corporate responsibilities and protection of food safety for consumers. We cooperate with the government in registration on the Food Industry Registration platform and had registered our Zhongli Plant for manufacturing plant and retail location in 2014 and completed the registration of Pingzhen Jinling Plant for manufacturing plant, incorporation/business, and retail location in 2016. In addition, registration for catering venues was also completed in 2017 after

the opening of the tourism factory. With this, the Ministry of Health and Welfare could have better management of the food industry.

3. Internal Traceability Management System

Grape King Bio has built an ERP system and conducts all voluntary traceability management based on product identification and our traceability management procedures. Currently, the system is capable of tracking all five dosage forms of production lines in both Zhongli Plant and Pingzhen Plant. Internally, we conduct product traceability training twice a year to simulate and to verify the implementation of such a management system. The system was tested in May and October 2018, and the results showed it was able to track traceability records in production process within 2 hours. 100% of the source materials of Grape King Bio's products can be traced through the internal ERP system.

FMIS Food Factory Production Management Platform

We also introduced the FMIS food industry process management platform collaborating with the government to promote the Food Safety Cloud Project. From the time of construction in 2016 until now, we have registered 54 products, and the registration coverage rate was 100%. We will continue to work on the stability of the connection between the ERP system and FMIS system in order to facilitate batch updates.

4. Channel Product Traceability

In addition to the construction of a private cloud database and the government-sponsored public cloud initiative, our system is also designed to meet sales channel requirements by incorporating system-based automation technologies to avoid manual labor input. For example, Grape King Bio successfully launched 6 products on the Family Mart online platform in 2018, and all these products were fully registered with the traceability program with a 100% achievement rate.

5. Product Packaging and Labeling Management

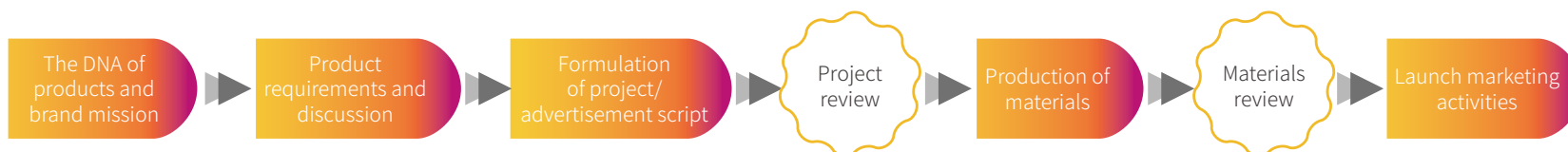
Grape King Bio complies with regulatory requirements in packaging and labeling, continues to update labeling content, food nutrition labeling, food allergen labeling, genetically modified food labeling, Fungi food labeling, warning statements, food additives, and general material labeling. We also revised our product packaging and labeling information to adhere to regulatory requirements to provide complete and correct information for consumers and to provide indispensable information and reasonable understanding of products during their purchases.

- 1 Fungal product labeling-clearly labeling the parts used
- 2 Complete labeling for food additives and ordinary raw materials
- 3 Warning messages
- 4 Nutrition facts label
- 5 Fungal product labeling-clearly specifying scientific names
- 6 Warning phrase Fungal product labeling-clearly specifying the cultivation methods of fungi



6. Product Marketing and Publicity Management

Grape King Bio upholds our mission of "Live Healthy, Think Grape King," continuing to gain trust from all levels of consumers. In order for consumers to fully comprehend our integrity and sincere attitude, we have set up internal management procedures for advertisements and publicity in response to customers' needs and to avoid the possibility of a violation. All advertisements, web pages, and printed materials are reviewed by the Marketing and Planning Section, Product Planning Section, Innovation & Research Center, and the Quality Assurance Department, who also provide suggestions before the Legal Office reviews the wording in accordance with the government's assessment standards. The publications can only be used if no violations were found.



7. Food Safety Regulatory Compliance

Food Safety Regulatory Compliance Management Model

The Company strictly complies with the Act Governing Food Safety and Sanitation, Health Food Control Act, and related regulations. The product review process includes different modes based on different stages:

Product labeling review: Joint review of related labeling. The preliminary and final drafts are both reviewed by the units to reduce errors in labeling review and to maintain a positive image of the product.

Ad publication review: Joint review of related ads to verify whether they meet requirements in the "Standards for Determination of Exaggerated, Misleading or Medical-Effect-Describing Food Labeling, Propaganda or Advertising Languages" in order to reduce the number of violations.

2018 Food Safety Regulatory Compliance Status

We received two cases from the Department of Health notifying that ads on the website were in violation of the Health Food Control Act and Act Governing Food Safety and Sanitation. The Legal Office treats the two aforementioned violations as reminders for business and review units (please refer to 1.4 Legal Compliance).

We also use the ERP system to request reviews from related units for the Innovation & Research Center, business units/Sales and Marketing Division, Quality Assurance Department, Product Planning Section, and Bioengineering Center to review the related labeling. The preliminary and final drafts are both reviewed by the units to reduce labeling review errors and to maintain the positive image of our products.

2.4 Accreditation and Professional Inspections

Quality is the basis of our products. We can only gain the consumers' trust with safe and reliable quality. In order to strengthen our supplier management system and to ensure the quality of our products, Grape King Bio impose strict control on raw materials, production process, and quality of our final products in a view of increasing the traceability of various products to realize our promises to assure food safety.

2018 target achievement status:

Plant area	Item	Goals	Progress
Zhongli Plant	Large/small volume glass bottle	Large glass bottle production line below 0.9% Small glass bottle production line below 1.4%	Large glass bottle production line 0.68% (target reached) Small glass bottle production line 2.46% (target not reached)
	Combibloc packaging line	Below 0.0026%	0.00046% (target reached)
	Capsule line	Below 0.3%	0.14% (target reached)
	Granules line	Below 1.5%	1.19% (target reached)
Pingzhen Plant	Capsule line	Below 0.5%	0.11% (target reached)
	Granules line	Below 2.4%	1.66% (target reached)
	Powder line	Below 2.4%	1.77% (target reached)

Reason for failure to reach the target for the small glass bottle production line: The format of the forms used for records is different from those used for large glass bottle production line. The Personnel is asked to include quantities used for machinery adjustment and testing into the number of defective products, which greatly increased the defect rate. The format of the forms shall be adjusted to ensure correct and exact estimation.

The targets for food safety and quality for 2019 are as follows:

Plant area	Item	Goals
Zhongli Plant	Defect rate of labeling for large/small volume glass bottles	Large glass bottle production line - below 0.9% Small glass bottle production line - below 1.4%
	Combibloc packaging line sealing defect rate	Below 0.0025%
	Capsules line sealing defect rate	Below 0.3%
	Granules line external packaging defect rate	Below 1.5%
Pingzhen Plant	Capsules line sealing defect rate	Below 0.5%
	Powder line external packaging defect rate	Below 2.3%
	Granules line external packaging defect rate	Below 2.3%

The food safety management system we established also requires related units to review the target achievement ratio each year.

2.4.1 Product Accreditation and Inspections

Grape King Bio obtained the Quality Manufacturing Certification issued by the Ministry of Health and Welfare in October 2014. The pharmaceuticals production line passed the PIC/S GMP accreditation and the food production line passed the TQF certification, ISO 22000 and FSSC 22000 Food Safety Management System accreditation, National Sanitation Foundation's NSF GMP accreditation, and Halal certification. In addition, Grape King Bio also established an ISO/IEC 17025 TAF compliant laboratory to ensure the stability of the manufacturing process and the maintenance of the quality management system.

Grape King Bio strictly upholds product quality and implements multiple inspections including physical properties, sanitation standards, and related inspections for food safety issues. The results of our inspections in 2018 were as follows:

Item	Raw materials purchased from external sources	Biotechnology fermented products	Manufacturing and production
Number of Inspections	2,065	906	94
Disqualified Items	280	75	0
Special Approval Items	250	25	0
Rejected Items	30	50	0
Rejection Rate	1.45%	5.52%	0%

Samples of all products shall be retained in the sample room. The sample room has continuous temperature and humidity control, and the Company can monitor product quality independently when the product hits the market.

Grape King Bio's Zhongli Plant officially implemented ISO 22000 and HACCP management systems in 2013. In 2014 and 2015, our glass bottle line, combibloc line, capsule line, and granule line were certified through third-party audit and our powder line complies with system requirements. We implemented continuous supervision and maintenance measures to ensure the validity of the system. The Company completed verification and license renewal procedures in accordance with requirements for three-year intervals during the second quarter of 2017.

When Pingzhen Plant was completed in 2016, both the capsule and granule lines were relocated to Pingzhen plant for capacity expansion, and the powder production line was also moved to Pingzhen Plant to which ISO 22000, HACCP, NSF GMP were introduced.

Grape King Bio owns five dosage forms of production lines certified with 100% accomplishment rate. The production output produced by certified production lines is 100%, which guarantees our quality of production.

Inspection of Food Sold in the Tourist Factory

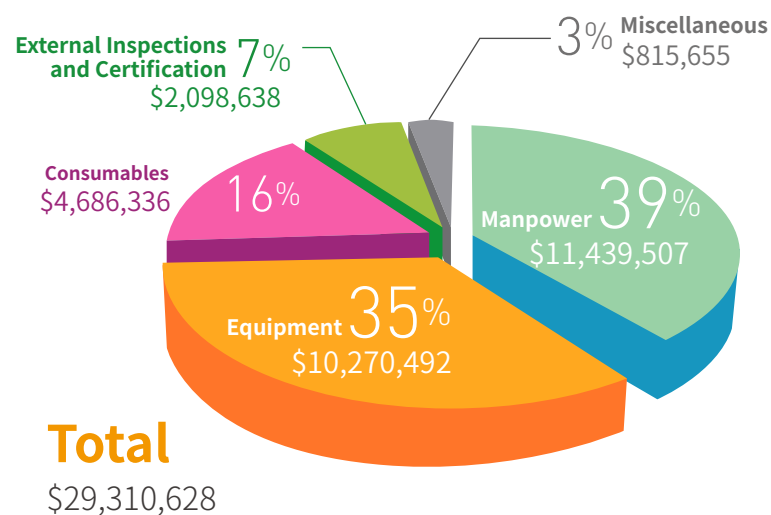
1. All products in the snacks area undergo regular independent assessments (total bacteria count, Escherichia coli, and coliform bacteria) to verify the sanitation status of the products. Beverages (10-15 items) are tested each month and iced snacks (3-4 items) are tested every two weeks.
2. The Company verifies the cleanliness of the machines in the snack area every two weeks. Inspected items include the cleanliness of the coffee machine, ice cream machine, ice maker, and the control panel.

2.4.2 Certified Laboratory Testing

Grape King Bio has two world-class certified laboratories for input materials inspections. After Grape King Bio obtained the ISO/IEC 17025 Testing and Calibration Laboratories certification in 2015, the Company expanded analysis capabilities and the scope and added accreditation items. Zhongli Longgang Plant had passed 7 inspections and accreditation in 2018, including accreditation for the aerobic plate count, coliform bacteria, Escherichia coli, salmonella bacteria, mold and yeast, caffeine, and preservatives. Pingzhen Plant has passed 3 inspections and received accreditation for ochratoxin, plasticizers, and lactobacillus. The inspection methodology has been certified by TAF, and the laboratory personnel also participate in tests conducted by third-party laboratories to verify the high-level standards of our Laboratory.

Grape King Bio used elaborate instruments for chemical inspections. Laboratory personnel optimized and established 14 inspection methods in 2018, including simultaneous quantification of lutein, zeaxanthin, and carotene in food, and inspections for bacillus cereus, enterobacteria, Cronobacter sakazakii, senna glycosides in food, curcumin in food, 5 types of food additives (solvents), etc. We also compared variations between inspection methods in Taiwan and China including 2 types of heavy metal inspection methods and 9 types of microbe inspection methods.

In 2018, Grape King Bio invested NT\$ 29,310,628 in food safety-related controls, the expenses included inspection fees, manpower, consumables, instrument depreciation, certification fees, and other expenses, which accounted for about 0.32% of our net revenue in 2018. The expenses for each item are listed below:



2.4.3 Product Use Safety Testing, Traceability, and Improvement

Grape King Bio has continuously monitored the changes in quality in the sales period and performed stability tests for all products to prevent harm that could be brought to human safety, health, environment, and the product itself. We have adopted continuous and rigorous verification, review and control of production procedures for the consumption purposes and methods, manufacturing methods and procedures, formulation of the final products, and consumption volume to ensure the quality and safety. Accomplishing customer satisfaction is our present and future goal. In 2017, Grape King Bio improved the aluminum cap design for glass bottle products to reduce the possibility of cutting consumers' fingers when they open the bottles. We plan to gradually implement stability tests for products with potential safety concerns.

Improve Product Safety and Stability in Quality Improve Packaging Design and Production Machines

We made additional improvements for the edges of aluminum foil seals in 2018. The sealing area was originally designed as a sharp edge, but as the design can easily tore the packaging and caused defective appearances, and there was a very small chance that the sharp edge might pierce the sealed package to cause quality irregularities, Grape King Bio **invested NT\$7.3 million to provide consumers with products of the highest quality and implemented a one-month machine improvement plan.** The three existing aluminum foil production machines were converted to adopt a smooth round corner design for sealing to replace the original edges. This reduced the risks in the process of delivering products to the consumers and improved product quality at the same time. We hope to use this case as a foundation to generate growth and prosperity for Grape King Bio and provide the general public with safer product use.



2018
Corporate Social
Responsibility Report

Preface

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

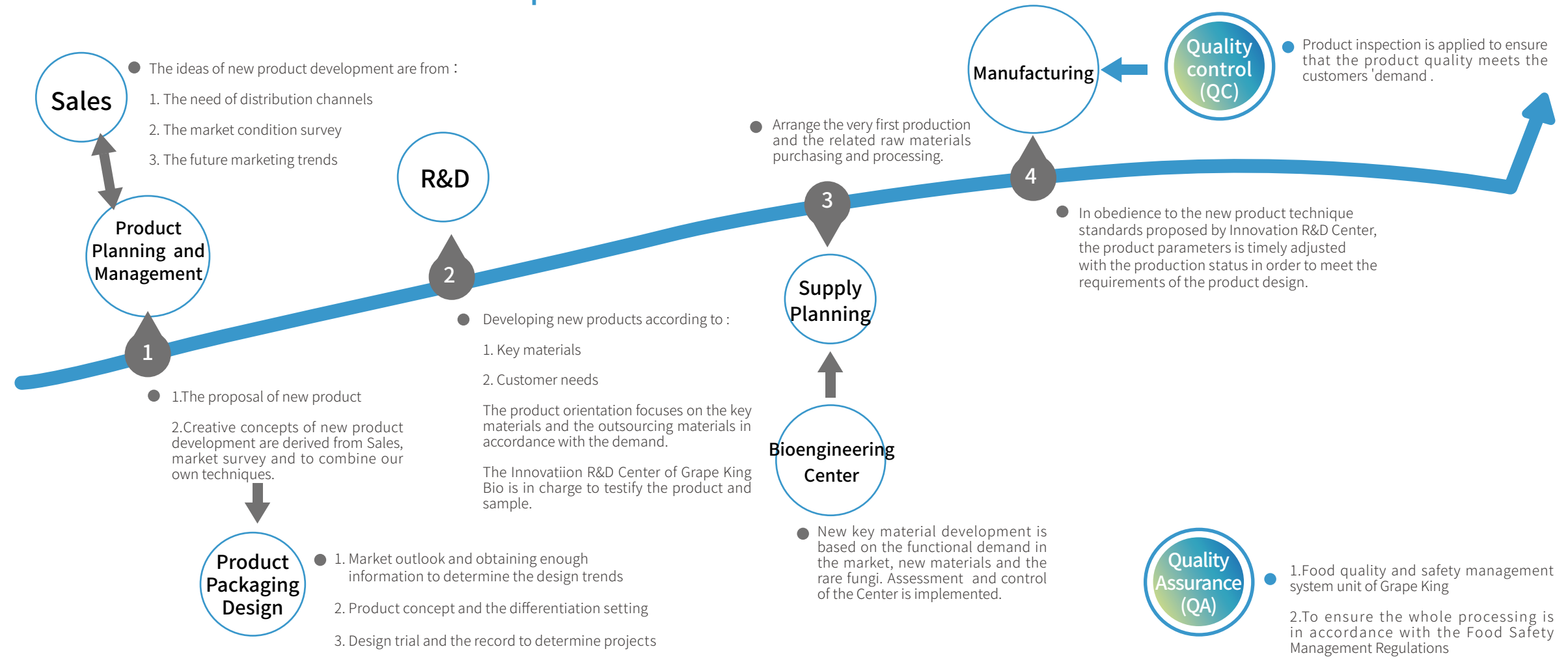
6 Green
Environment

Appendix



3.0 Innovation and R&D

Value Chain of New Product Development



Policies

Develop Grape King Bio's unique functional materials based on its core competencies in response to trends in consumer and market demands

Commitment

With the Company's commitment to look after public health, Grape King Bio constantly innovates and pursues excellence. We dedicate full efforts on ensuring the safety, premium quality and compliance of products.

Goals

Short-term The Company invests in the research and development of unique materials such as *Hericium erinaceus* mycelium, lactic acid bacteria, and *Cordyceps cicadae* and actively collaborates with domestic academic and research institutions in product R&D, function verification, and process improvement. In addition to the patent application, we publish the results of our research in domestic and foreign journals.

Mid-term In addition to continuous development in the short-term, the Company also invests in the R&D of unique materials such as the new health food material *Morchella vulgaris*. The Company implements product R&D, performance and ingredient analyses, function verification, and process improvement. We publish the results of our research in domestic and foreign journals, and we also apply for patents.

Long-term The Company invests in the research and development of unique materials such as the new health food material *Morchella vulgaris* and actively collaborates with domestic academic and research institutions in expanding the applications of the materials as well as analyzing the performance and ingredients.

Continuous research development and innovation is a key to Grape King Bio's sustainable development, and is fully committed to investments of resources and hard work for different products and services based on its commitment to innovation and R&D. Cooperations with domestic and foreign institutions have enabled our Bioengineering Center and Innovation R&D Center to develop multiple products and elements. The Center has applied for multiple patents, and its outstanding performance contributes to the glorious achievements of Grape King Bio. Grape King Bio invested a total of NT\$166,690,096 in innovation and R&D in 2018.

Important Events in 2018

- Received the Food Science Research and Development Innovation Award from IUFOST in the 19th World Congress of Food Science and Technology—Grape King Bio
- Awarded 25th National Quality Award for Excellence in Business Operations—Senior Executive Vice President Chin-Chu Chen
- Awarded the SNQ Symbol of National Quality Label for Healthy and Nutritious Food for 4 products that included Probiotics King Capsules, Probiotics King Powder, Super 13 Pro & Prebiotics, and Yongsheng Fulan Capsules
- Awarded the Nutritious and Healthy Food Innovation Award for Super 13 Pro & Prebiotics from the Health Food Society of Taiwan
- Awarded the Innovative Product Award from the Taiwan Association for Lactic Acid Bacteria for Grape King Probiotics King Powder



Responsibilities

External competent authorities: Food and Drug Administration of the Ministry of Health and Welfare, Department of Health of Taoyuan City Government

Resources

- Added 10 new R&D personnel
- The Company invested NT\$1.6 billion to construct the Biotech Research Institute in Hsinchu Longtan Science Park and an investment NT\$500 million in equipment.

Actual Achievements

- Received the Food Science Research and Development Innovation Award from IUFOST in the 19th World Congress of Food Science and Technology, 25th National Quality Award for Excellence in Business Operations, and four awards for the Symbol of National Quality (SNQ)
- The continuous expansion of the effectiveness of key materials such as lactic acid bacteria, *Cordyceps cicadae*, and *Hericium erinaceus*

3.1 Materials and R&D Capacity for Continuous Growth

3.1.1 Bioengineering Center

The Bioengineering Center was established in 1991 for both R&D and production. R&D mainly focus on the development and applications of the Company's own materials (key components). We actively collaborate with domestic academic and research institutions in product R&D, function verification, and process improvement to establish the Company's core technologies.

In 2018, the patents obtained by the Bioengineering Center in domestic and foreign collaboration projects included:

- Approximately 40 Industry-University Cooperative Research Projects with the Ministry of Science and Technology, Council of Agriculture, Ministry of Education, and colleges and universities
- Holding 55 patents; 25 patent applications were filed in 2018 along with 8 obtained patents.

In terms of production, Grape King Bio currently has six 1-ton, one 2-ton, one 3-ton, three 5-ton, one 10-ton, three 20-ton, three 40-ton, and one 50-ton large fermentors. We have a total of 50 fermentors including small ones with a capacity of one hundred liters. The fermentation production capacity totals 285 tons.

The Company will be expanding the fermentation capacity by 100 tons using the new Grape King Bio Biotechnology Research Institute facility at Longtan Plant, Hsinchu Science Park. Since 2016 we have been using an automatic freeze-drying process to reduce the contamination rate and maintain quality stability. This drying technology will be combined with the downstream processes which includes shrink wrap packaging, centrifuges, low-temperature fluid bed dryer, and filter presses which can be used to supply materials for health food products in all plants.

Expansion of Production Capacity at the New Plant

Grape King Bio's Biotech Research Institute in Hsinchu Longtan Science Park will **increase our production capacity by 100 tons** with the introduction of two 5-ton, two 15-ton, one 20-ton, and one 40-ton fermentors. The equipment will be used for the production and R&D of mushrooms and lactic acid fermentation materials. Mass production is expected to begin in the second quarter of 2019.

3.1.2 R&D and Patents for Key Materials

The development of new materials for health and beauty products is a key task for Grape King Bio's biotechnology R&D team. We have developed the following materials:

- Cordyceps cicadae mycelium: Protects kidney functions and fights dry eye syndrome
- Hericium erinaceus mycelium: Rich in Erinacine A and able to induce nerve growth factor (NGF)
- Malaysian national treasure Lignosus rhinoceros: Help to fight against asthma
- Clitocybe nuda mushroom mycelium: Generates antioxidant ergothioneine



Grape King Bio continues to research and analyze the effectiveness of the raw materials it developed:

- Selection of lactic acid bacteria for preventing damage to liver from alcohol, reducing blood sugar, delaying aging, and preventing depression
- Exploration of the mechanisms in *Hericium* for reducing intraocular pressure, protecting kidney from damage, and allergy alleviation effects
- Exploration of the mechanisms in *Cordyceps cicadae* for preventing damage to optic nerves, neural damage regeneration research, analyses of anti-inflammation functions, improving depression and sleep, preventing degenerative joint diseases, and protecting the brain from ischemia

The Bioengineering Center also accepts OEM requests including:

- Fungus materials (e.g. *Ganoderma*, *Agaricus subrufescens*, *Antrodia*, Caterpillar fungus, *Coriolus versicolor* etc.)
- Probiotics (e.g. *Coccus*, *Bacillus*, *Bifidobacterium*, yeast, and *Clostridium butyricum* etc.)
- Other edible microbes, enzymes, and metabolites

Grape King Bio is dedicated to the R&D of materials, function verification, and process improvement in the view of strengthening the Company's core capabilities. The Company currently holds a total of 55 patents in the United States, China, Japan, Canada, and Taiwan in *Antrodia cinnamomea*, *Antrodia salmonea*, lactic acid bacteria, antibiotics, *Hericium erinaceus*, *Clitocybe nuda*, and *Cordyceps cicadae*.

Patents Obtained by Grape King Bio in 2018			
	Patent Name	Country/Region	Patent No.
1	Antrodia mycelium fermentation used to improve non-alcoholic fatty liver disease, its preparation methods, and usage	Taiwan	I620815
2	4-Acetyl antroquinonol B compound in purified Antrodia mycelium prepared using high-performance centrifugal partition chromatography	Taiwan	I615387
3	Chocolate products containing probiotics	Taiwan	M559069
4	A type of <i>Lactobacillus plantarum</i> , compounds, culture methods, and use for reducing uric acid, improving allergies, and/or lowering blood sugar	Taiwan	I634207
5	Chocolate products containing probiotics	Japan	3215992
6	A type of <i>Lactobacillus plantarum</i> , compounds, culture methods, and use for removing body fat, reducing hepatomegaly, and/or anti-inflammation	Taiwan	I636133
7	A type of <i>Lactobacillus plantarum</i> , compounds, culture methods, and use for reducing blood lipids, reducing results of liver function tests, reducing uric acid, and/or anti-inflammation	Taiwan	I636134
8	<i>Cordyceps cicadae</i> active substances, preparation method thereof, including pharmaceutical compositions and application thereof	Canada	2912599

The Company applied for 25 patents in 2018 and has obtained 8 in the same year.

Note: Please refer to our website for detailed information on patents:
<https://www.grapeking.com.tw/tw/rd/patent-paper/patent>

Grape King Bio provides diverse services and products and has never stopped the research and development of products. We have created a variety of products for the demands of different groups and remain focused on the development of formula design and biotechnology materials. Until today, Grape King Bio has achieved excellent results and we will continue to make improvements in the future.








3.2 Development of Diverse Products and Customized Services

With the increasing health-related issues such as chronic health conditions, falling fertility rate as well as an aging population, consumers have begun to pay close attention to what they eat and how daily diet can influence health. As a result, the nutritional value and functionality of products are becoming increasingly vital.

Grape King Bio established an Innovation and R&D Center in 2016 to assemble elites from product R&D, product planning, materials department, quality management, quality assurance, and other segments. The Center adopts specialized fermentation technologies from the Biotechnology Center and evaluates differentiated elements and materials from external sources to develop unique formulas. We aim to develop functional health products that are consumable and help consumers gain additional nutrients that they lack as well as functional components.

3.2.1 Development of Actual Products

Grape King Bio added the "new dosage product development" operation in 2017. The development of new dosage products is not limited to the current in-plant production machinery, and it can generally be classified into the following categories: dropping pills, gel (gelatine) type, soft capsules, tablets (double-layered and chewable tablets), and domestic consumables (shampoo and soap). They are mainly used for other OEM plants for product design and sample production. The product development team utilizes the fermentation techniques of the Bioengineering Center according to age groups or nutritional needs. They develop products with certain featured functions to embody the concept of "Live Healthy, Think Grape King". Our products can be categorized into 7 series and we have developed 147 products in 2018.

Product	Chinese Herbal Range	Health Maintenance Range	Female Beauty Range	Children Healthcare Range	Energy Drink Range	Special Healthcare	Tourist Factory
Series							
Description	Products are developed based on Chinese herbal medicine, and they include Grape King Bio's professional technologies in the fermentation of fungi to provide consumers with a full range of healthy products.	These products maintain normal physiological functions and satisfy the requirements of different age groups and nutrition demand. Popular topics include the gastrointestinal system, bones and joints, vision, and cardiovascular health, and lactic acid bacteria products are suitable for all ages	Women love to maintain their beauty, and female consumers care about simple and quick solutions to supplement their daily requirements for nutrition in their busy lives.	The greatest wish of parents is the health and growth of their babies, and Grape King Bio develops products for the nutrient requirements of pre-school age children.	"Comebest, drink before you do it!" is a classic advertising line of Grape King Bio. A series of energy drinks quickly provide energy and plenty of flavors to choose from.	Modern people's diets are unbalanced, and they often consume high-calorie food but still feel hungry. We provide the right amount of supplementary nutrients for consumers to increase and extend the sense of being full.	Grape King Bio's tourist factory was established in 2017, and the Company helps develop products characteristic of Grape King Bio to attract consumers and provide them with better and convenient food products.
Product Examples	<ul style="list-style-type: none"> ● Original Antrodia King ● Original Ganoderma King ● Royal Original Antrodia King ● Ganoderma Compound Capsules ● Antrodia and Ganoderma Capsules ● Ophiocordyceps ● Sinensis Ginseng ● Health Supplemental Product 	<ul style="list-style-type: none"> ● Meal Packages for the Elderly ● Probiotics Sticks ● Wild Blueberry Eye Protection Granules ● Natto Cardiovascular Health Capsules ● Anti-allergy Health Sticks 	<ul style="list-style-type: none"> ● Female Beauty Powder ● Collagen Sticks ● Imperial Collagen Essence ● Moisturizing Jelly ● Snow Brightening Essential Drink 	<ul style="list-style-type: none"> ● Ganoderma for Kids ● IQ King ● Marigold Lutein QQ for Kids 	<ul style="list-style-type: none"> ● Comebest Energy Drink ● Comebest 200p Energy Drink ● PowerBOMB Energy Drink ● UV Protection Whitening Drink 	<ul style="list-style-type: none"> ● Hericium Erinaceus Chocolate ● Alcohol Digestion Sticks ● Maca Male Health Capsules ● Probiotics for Females' Private Parts ● Sleep-inducing Health Sticks ● Ketogenic Diet Shake Meal Replacement Pack 	<ul style="list-style-type: none"> ● Agaricus Subrufescens Noodles ● Agaricus Subrufescens Cup Soup ● Agaricus Subrufescens Capsules
New Products Developed in 2018	11 products	65 products	18 products	1 product	22 products	27 products	3 products

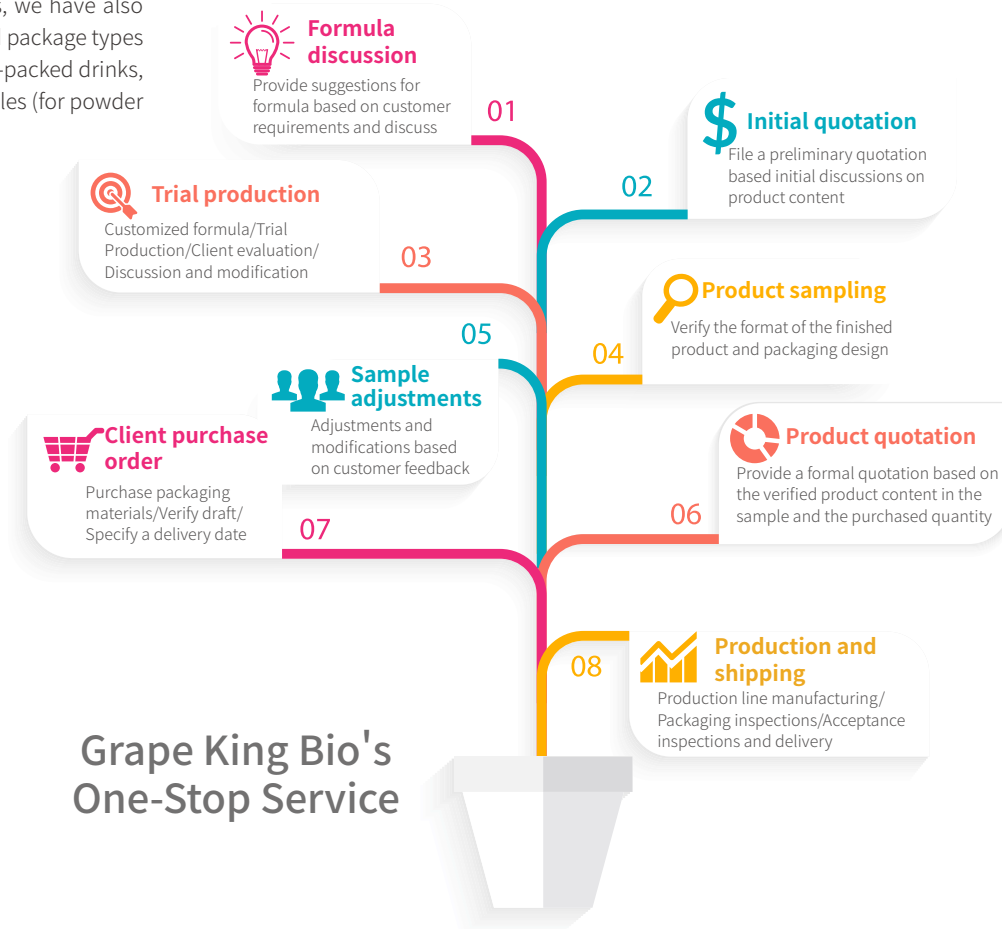
3.2.2 Customized Formula Design and OEM Services

Apart from the development of self-owned products, Grape King Bio's product development team also provides comprehensive ODM/OEM service. We are capable of customizing products and recipes for our clients including the development of customized and innovative formulas and a wide variety of dosage designs to produce customized new products for customers. In addition to developments of related domestic channels in recent years, we have also actively developed export sales. Example: The dosage forms and package types of our ODM/OEM products include glass bottles, PKL Combibloc-packed drinks, aluminum foil pouch (for flakes, powder, and pellets), and capsules (for powder and pellets).



Integrated Platform

Grape King Bio has established a one-stop service OEM platform to provide integrated services from the import of upstream patented materials to categorized production line and back-end product packaging. Our product OEM services include healthy food products, beauty drinks, energy drinks PKL Combibloc-packed drinks, etc.



Professional Consulting Services

Grape King Bio's R&D team provides professional marketing strategy consultation on raw materials and products based on clients' needs. We also implement strict controls of raw materials and product quality regulations to ensure the stable quality of products and provide customers with related after-sales consultation services, for example, health and nutrition consultation for marketed products as well as related health food product document consultation services for customers.

3.3 Industry-Academia Collaboration Strengthens Connections between Local Industries

We maintain close connections with schools, and our long history and advanced technologies in professional technologies make us a key partner in active academia collaboration with multiple schools. The Company continues to connect and execute projects with various schools. We participate in various lectures and thesis publications as well as provide product testing services. Grape King Bio retains extensive fermentation technologies, and it is one of the first choices for students who aim at pursuing a career in the biotechnology industry. They can learn about theories, gain knowledge, and link them with actual applications to put their studies to use. There have been 129 visits in the most recent three years with a total of 3,634 visitors. We hope to use the results of Grape King Bio's hard work to fill the technological gaps between the industry, government, and academia and ultimately develop innovative technologies to cultivate key talents for the future.

3.3.1 Student Internships and Exchanges

We actively provide colleges and universities with opportunities for internships during the semester. In the past three years, we employed 210 interns in our plants to increase the Company's intangible assets, pass down our experience to young students, and connect them to the industry. We also select new recruits for the Company from the participants. Ten interns have been selected as future employees after completion of the internship program. The numbers of interns in Grape King Bio in the last three years are as follows:

Year	Winter Vacation	Summer Vacation	During the Semester
2018	25	30	17
2017	30	34	9
2016	19	39	4



research and expertise of teachers in colleges and universities across the country to improve the Company's R&D capacity, verify the effectiveness of products, expedite industrial upgrade, and industrialize and market the results of research and development in colleges and universities.

There were 28 industry-academia collaboration projects in 2018 and the total agreement amount has exceeded NT\$30 million.

- Forged an industry-academic technical alliance with National Chung Hsing University with respect to a safety-level/food-grade protein production platform
- Formed a minor industry-academic alliance with National Chiao Tung University regarding a Biotech and pharmaceutical service platform for biotech product development
- Signed a memorandum of understanding on industry-academic collaboration with Hungkuang University of Science and Technology

2. The pursuit of special projects in the biotechnology industry

Grape King Bio also makes tremendous contributions in the advancement of the biotechnology industry in Taiwan. The Ministry of Economic Affairs of the Executive Yuan accepts a large number of project applications annually in order to assist the development of the industry. Over the past ten years, Grape King Bio has applied and completed a total of nine projects and has worked with several scientific and technological institutions in academia to jointly carry out a number of development and experiments for new products. With total funding of NT\$146 million injected, we have obtained many achievements.

3. Participate in various lectures and thesis publications

Grape King Bio has been invited to speak at various industrial, governmental, and academic institutions, among which we delivered lectures in over 100

departments at universities, handing down more than 20 years of experience of biotechnology and industry development to the students, and sharing and exchanging industrial development experiences. Over the past three years, Grape King Bio has been invited to deliver over 130 speeches at colleges and universities. Additionally, we have participated in over 100 students' oral examinations for master's thesis or doctoral dissertation defenses, in curriculum planning or department development of more than 10 departments, and in evaluations of over 10 university departments.



The R&D results of Grape King Bio have been fruitful, and we have been constantly publishing journals and presenting at seminars. In 2018, Grape King Bio published 20 journal papers and 19 symposium papers.

4. Assist in product test services

Grape King Bio is renowned for our fermentation expertise. There are 50 fermentors in the factory that are used on a regular basis to conduct mass production tests and quantitative fermentation test platform services for academic and industrial purposes with 20 departments in academia involved. This strengthens the connection between industry and academia, promotes the industrialization of academic research, expedites the quantification of the industry, and boosts our international competitiveness.

3.3.2 Academic and Research Participation

1. Investment in industry-academia collaboration and connect with colleges and universities

Investment in industry-academia collaboration and connect with colleges and universities.

Grape King Bio actively advances collaboration with the academia and the industry and connects the Company's new products and materials to the

3.4 Customer Services

Policies

We pay attention to the demand and recommendation of each consumer with gratitude, and we adopt a positive and active attitude for efforts that can improve customer experience.

Commitment

We set up customer service targets to improve the procedures and quality of customer services. We are committed to producing high-quality products that meet customer expectation in order to create an outstanding brand on the market.

Goals

- Short-term**
 - Use social groups and media to promote new products to strengthen our image as a health expert
 - Cooperate with various channels to strengthen the accuracy of media advertisement and widen the scope of advertisement
- Mid-term**
 - Expand new customer groups: Actively develop products for female customers and break through Grape King Bio's previous image as producing products mainly for males
 - Strengthen connection with communities and cultivate loyal customer groups: Use local radio and TV channels to strengthen interactions with consumers
- Long-term**
 - Develop crisis management courses and personal training courses
 - Invest in products with unique specifications that target different consumer groups and channels

We have always been committed to providing customers with the best services and apply the highest standards in improving customer service quality. To raise customer satisfaction in all respects, we work hard to connect our services and use the combination of products, prices, services, the Company's image, the feeling it generates, and the experience to create a better future for customers based on Grape King Bio's core values of "Technology, Health, and Hope". We have set the five main guidelines for our customer service goals:

Material Topic
Customer Service

Responsibilities

Related internal collaboration units: Legal Office, Quality Assurance Department, Marketing Section, and Finished Products Section

Resources

- Appoint external lecturers and use cases to educate employees on how to meet customer expectation and review such cases based on the Company's previous experience
- Introduce digital invoices
- Relocation of the online shops, ERP system bridging, and CRM upgrade
- Telephone system upgrade—Include audio, audio recording, and digital customer service equipment set-up

Actual Achievements

- Completed launching process of the regular distribution system for our members
- Completed the establishment of the LINE platform and added LINE services in the second half of the year; in addition to improving the convenience for members to make purchases, we also deliver the latest product information and provide one-on-one customer services for more prompt and diverse services
- Constructed a new form of sales via social media and strengthened ad delivery to prevent ineffective delivery and interference
- Revamped the official shopping website in March to increase the speed and stability of online shopping and facilitated login via Facebook

01

> Improve our brand image; provide explanation and recommendations based on the customer's group and individual conditions; where necessary, explain the processes and third-party verification contents to improve customers' level of trust.

02

> Require employees of all segments to focus on the "process," "attitude," "professional knowledge," and "protection of consumers' private information and rights" to maintain the service quality; use actual case studies to repeatedly review results and make improvements.

03

> Provide different services based on social trends and customer groups to improve the "service quality" and "thoughtfulness" for a high-level customer satisfaction.

04

> In order to enhance expertise, we arrange professional training for our colleagues, enrich their essential learning ability and communication skills so that consumers can get the services they need in a relaxed situation. We also arrange product training to ensure that customer service personnel can maintain their awareness of new products.

05

> Continue to provide customers with the highest level of personal information protection.

Highlights in 2018

Due to the increase of online traffic to and the rapid growth new members of the Company's own online store "Go Grape King, Go Healthy" we have now officially transferred the website to an external professional server and management center. The high-speed servers and networks have made significant improvements to all functions on the website including the speed for loading pages, reducing the probability of connection interruptions, and instant feedback. We also gradually achieved higher responses coming directly from online social media platforms.

This year, in addition to external training courses and exchanges, we have also appointed external lecturers for internal training. The themes revolved around processing crises and turning them into opportunities in cases such as customer complaints. The lecturer uses case studies to provide multiple choices for customer service personnel and used the possible results as guidance. In addition to interactions with external entities, internal psychological education is equally important. Our main philosophy is "There is no such thing as an economic recession, and we must work hard in the right direction". This can guide us towards the most suitable mechanisms which can differentiate us from our competitors. A total of 45 first-line employees participated in this training, which can speed up the entire process and improve the quality of our services.



3.4.1 Innovation in Customer Service Procedures and Marketing Strategies

Grape King Bio's customer service processing procedures are divided into general consultation and customer complaint processing. We have dedicated units to help customers process service procedures to ensure customer opinions can be delivered and resolved in a timely and comprehensive manner.

- 1. General consultation: The Company provides customers with product consultation services to immediately respond to related questions of the consumers.
- 2. Customer complaints: Issues in customers' complaints on the telephone have become increasingly complex and professional and therefore require more inter-department communication and information verification. This year, Grape King Bio has started to adopt a policy to "ensure a response within 4 hours and close the case within 24 hours". Where inspections or more complicated services are required, we will provide responses within the agreed time. We hope to use the procedures above to quickly respond to customer complaints and fully resolve the issues.

Responsible Units	Operators	Customer service center	Business Department	Quality Assurance Division	Responsibility	Sales/Finance Department	Logistics Center
Responsible Personnel		Operators Nutritionist	Product Manager Channel / Distribution Manager Channel/ Distribution Personnel	Quality Management staff in charge Quality of Managing staff Quality Manager	Managers and other reviewing personnel	Staff in charge	Staff in charge
Issues to be addressed	Product Inquiries Event Inquiries Product Ordering	Receiving calls from customers Creating a customer database	Product Ordering Procedure			Issuing invoices	Distribution
	Complaints and Comments	1. Initial calls from customers Creating a customer database Record all complaints and comments Solve customer complaints immediately 2. Composition defects If cannot be resolved, this issue will be further reported internally	3. Receiving notifications Complaints will then be handled through the customer service process	4. Handling cases Confirm and determine the complained issues	5. Tracing the sample quality and tracking the complaint cases	6. Returns/Refunds/Discounts	7. Tally/Shipping and Returning
Case Closure		13. Reply to customers Close the case	12. Reply to Operators	11. Investigating on related documents Quality Abnormality Form Report Reply to Business Department Manager	10. Reason reviewing Solutions planning Improvement tracking Solutions confirming Effectiveness	9. Inform the staff in charge Inform the Sales/Finance Department to void the invoice	8. Inform the staff in charge immediately when receiving the returns

1. A Brand New Marketing Model

As we reviewed past business plans, we discovered the need to strengthen the connection between brands and channels. We need to improve brand image and guide customers to channels and locate products directly. In terms of cultivating OEM customers, we also need to strengthen the professionalism of the brand and improve OEM customers' trust in the Company. We had therefore planned four major strategies in 2018:

Professionalize image

The fact that "Grape King Bio has a strong R&D team that triumphed in invention exhibitions in many countries and won numerous awards" may not be known to the general public or OEM customers. In 2018, we hoped to strengthen Grape King Bio's professional image and inform customers directly of our R&D capability. The R&D team seeks continuous innovation and participates in exhibitions at least once every three months. In 2018, we participated in the International Innovation Club ArchimedExpo in Russia, Geneva International Exhibition of Inventions, and the Korea International Women's Invention Exposition (KIWIE) and won 16 major awards. Our R&D technologies have received wide international recognition.

In addition, through our collaboration with magazines that cater to health knowledge such as Common Health Magazine and Everyday Health, we can provide the general public with health-related knowledge. Grape King Bio also added professional R&D information to strengthen Grape King Bio's image as a "health expert". We used media such as TV ads to inform the general public that all Grape King Bio's products are scrutinized with guaranteed quality standards.

Optimize channel displays

We asked our retail channels to add display rack for the theme events so that our products can be easily spotted. After we launched the theme display racks in Watson's and Cosmed in September and October, revenue grew by 55% and 19% respectively.

Build brand and cater to young consumers

The Company established a tourist factory and promoted Grape King Bio's corporate values to visitors. In addition, we launched new products such as PowerBOMB Energy Drink to expand our reach to other customer groups. We used mass media to announce information on awards and exclusive interviews. The face-to-face interviews delved into the core of the brand, and the Company featured extensively on publications such as the Global Bio & Investment, Business Today Weekly, and Wealth Magazine. An example is provided by Grape King Bio's classic functional drink. The age group of 25 to 34-year-olds had increased their use of Grape King Bio's brand from 21.8% to 39.9%. The public preference of the brand and its popularity among younger populations had achieved impressive growth.

Local sales continues to increase and the consumer groups begin to identify themselves with product attributes, Grape King Bio is currently cooperating with local TV channels and radio stations to promote products along with local programs. Past collaborations with TV channels has also achieved great results.

Make full use of seasonal themes

We used themes closely associated with the general public to propose demands for products and improve the response rate for marketing activities. Examples include year-end parties, Mother's Day, summer whitening and slimming, and annual and sales. We used online events, theme ads, channel activities, and multi-faceted events to achieve sales targets. The year-on-year (YOY) sales growth in 2018 was 23%. We achieved more than 10% of growth for Mother's Day and annual sales. Sales for Mother's Day on virtual channels have also grown by an impressive 111%.

Channel Cooperation

We cooperated directly with large-scale channels to compare the customer sources collected by external sources with the member composition on the channel end. We screened consumers that meet targets for product exposure or event reminders. This "precision marketing mechanism" has considerably reduced ineffective deliveries or waste of resources while improving the overall business performance.

2. Regular Delivery System

We introduced the "Regular Delivery" subscription plan for regular shipments based on the customer's designated cycles. The project was officially established in July and operated in mid-November 2018.

Expected Benefits from Regular Delivery Purchase Orders

Deliveries are made regularly once every 3-4 months. An additional 5% of the purchase order is expected each month in the initial stages.

3.4.2 Listen to the Opinions of Our Consumers

Grape King Bio focuses on the long-term cultivation of the Brand and value our commitment and ethics to all consumers. We continually look at ways to improve the products for greater customer satisfaction. In addition, we provide safe products and protect the rights of customers. We provide precise product information, high-quality after-sales services and necessary guidance and allow customers to make free and independent choices.

We use CRM to identify loyal consumers and interview them with an aim of understanding their purchase incentives and areas for improvements. We perform a series of visits for 20 to 30 customers and use the opportunity to compile more accurate data and trends for market research, development, and future sales plans.

This year, we have conducted a significant modification on pitching training designed for customer service personnel. They adopt a "grateful" attitude when servicing customers on calls and thank them for the provided feedback. They also face complaints or negative feedback with a positive attitude, followed by a more reasonable and concise resolution. For some of the major customers' concerns, Grape King Bio also assigns personnel to visit customers and express appreciation for their support and recommendations. We continuously interact and communicate with our customers to ensure a high level of satisfaction. A total of 28 customer complaints were received and dealt with during 2018 (customer complaints accounted for 0.416% of all customer service calls) and the main issues were:

- A. 18 cases of product defects (shortage of the number of pills or changes in color)
- B. 9 cases of physical discomfort after consumption
- C. 1 case in which a customer questioned the safety of a product

Focus on Customer Feedback and Improve Customer Experience

One of our customers requested the Company to cancel the mailing of brochures and delete the customer's personal information. However, as the customer's registration information included a different name for the same address, the system only deleted information for one customer and omitted another. The customer received the brochure again and believed that our company had failed to fully perform our personal information management obligations. After we communicated and explained to the customer, we made sure that the customer understood the reason for such occurrence. To prevent similar cases from reoccurring, customer service personnel shall actively ask whether customers have other accounts that require processing at the same time.

In response, we set up the telephone care team in 2017. The current results are satisfying and we have received appreciation for our passionate services and care. They also ask whether the telephone interviews, event brochures, and SMS notifications can be continued. We will also register their preferences in the system and think from the customer's perspective to further improve customer experience.

Respond to Customer Complaints and Adjust the Packaging Format

A customer complaint regarding damaged aluminum foil pouches occurred for the first time this year. We believe that severe vibration may have occurred during the transportation process of the product, which caused the aluminum foil pouch to penetrate nearby packaging materials. Therefore, the customer discovered an incomplete seal on the product along with a spoilage. The incident was reported to related units in accordance with customer complaint procedures, and we reached an agreement with the customer to close the case.

To prevent the reoccurrence of the same incident, Grape King Bio and our QA Department worked to formulate an improvement plan. Eventually, we adopt a smooth round corner design for the packaging to reduce the possibility of impalement. (Please refer to CH2.4 for detailed implementation results)

3.4.3 Protection of Customers Privacy and Interests

Grape King Bio provides customers with the highest standard of personal information protection. There were no breaches of customer privacy and losses of customer data this year. Comprehensive protection measures are as follows:

1. We have comprehensive firewall protection and each computer is equipped with anti-virus software to prevent the hacking or theft by hackers and computer virus infections. We also perform system-wide vulnerability scans, hacking detection, and code review to minimize external hacking and the chances of losing internal data.
2. The digital security certificates of the Company's system are periodically managed, maintained, and updated.
3. Access to each personal computer requires an account and password and operators who are not designated to operate the computers are unable to access information. In addition, all letters containing personal information are encrypted.
4. Customer service personnel have fixed procedures for responding to questions. They verify the identity of the customer immediately before processing any inquiries. If information or answers cannot be immediately provided, they would provide a response within the pledged time to ensure customers are able to obtain related information. The personal information and customer privacy are kept confidential and customers' privacy is never infringed.
5. To improve the security of information processing equipment, the Company's computer systems rigorously regulate the access and use of portable storage devices to improve the protection of personal information and trade secrets.

Diverse Interaction Channels

Grape King Bio has established a customer service hotline and online customer service mailbox (the LINE platform was added in the second half of 2018) to provide consumers with rapid product inquiry services and serve as a bridge for communication between Grape King Bio and consumers. This is composed of two main channels: responses for telephone customer service and online customer service (emails from the official website and shopping website, Facebook messages, and LINE messages).



2018
Corporate Social
Responsibility Report

Preface

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



4.0 Happy Workplace

Policies

We adopt our corporate mission and core values for upholding human-oriented talent management.

Technology—Set correct attitude and expertise in biotechnology or health products as the standards for talent recruitment

Health—Provide a high-quality work environment and abundant benefits to take care of employees of the Group and their families

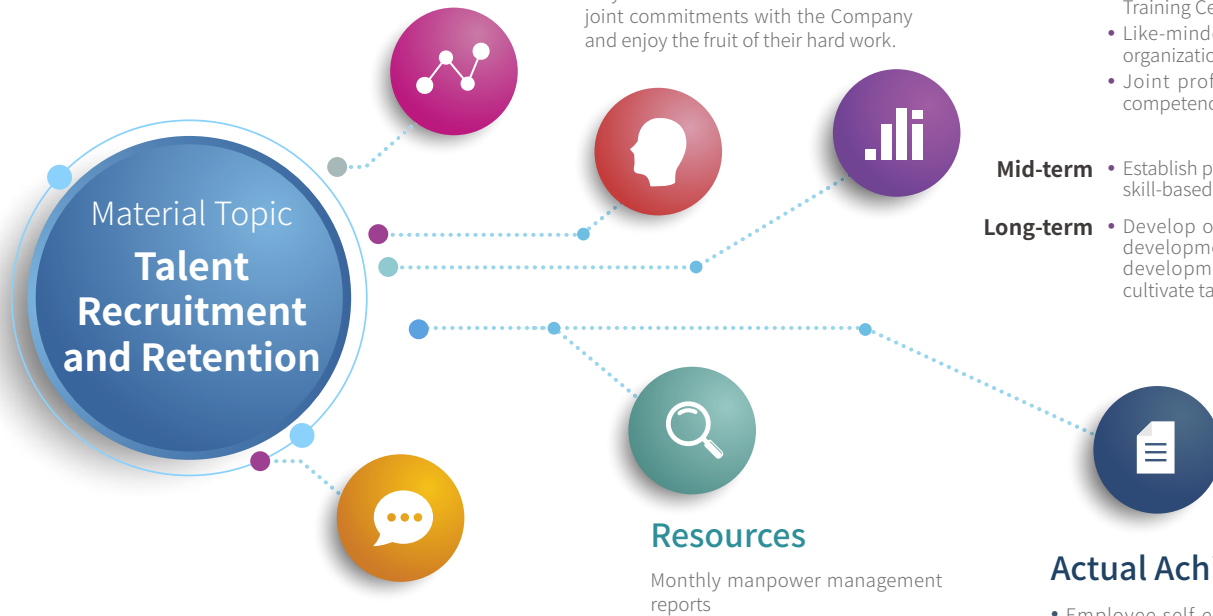
Hope—Implement internal job transfer and training development systems to cultivate high-quality talents

Commitment

We adopt a strategic concept of "appropriate roles for appropriate talent" and provide each employee with opportunities during work to facilitate employee development and breakthrough. In addition, we provide competitive compensation and welfare systems to encourage employees to fully dedicate their efforts and take on joint commitments with the Company and enjoy the fruit of their hard work.

Goals

- Short-term**
 - Active recruitment: Expand recruitment channels (e.g. Vocational Training Centers for Veterans)
 - Like-minded talent: Optimize performance procedures to integrate organizational culture
 - Joint professional growth: Implement inventory of professional competencies
- Mid-term**
 - Establish professional standards and use talent positioning to introduce skill-based cultivation plans
- Long-term**
 - Develop organizational recognition and introduce personal career development plans to accompany employees in continuous career development; increase training and tracking of companionship to cultivate talent required for the future



Responsibilities

Internal communication and collaboration: Facilitate regular communication with segments of the Company and listen to their requirements to seek out the most fitting talents; implement employee care across the Company and reduce risks in human resources to establish smooth communication procedures

Resources

Monthly manpower management reports

Actual Achievements

- Employee self-exploration activities: Use different types of activities for employees to learn about their personal traits and let the Company know employees better to provide them with suitable workplace environments
- Respect the will of employees and encourage them to actively arrange and plan personal career development while providing internal positions and openings for continuous learning and development



[Special Column] Talent Professional Competency Development Program

Grape King Bio advanced the talent and professional competencies inventory program in 2018 with an aim of improving career development plans for talent, designing a systematic training system from a partnership perspective, and using strategic thinking to cooperate with managers of various segments and divisions. We hope through this program, our employees can jointly improve their competitiveness find the most suitable role in Grape King Bio.

The Company helps new employees comprehend our core values and corporate culture during orientation training. We also monitor and track their training status each month to provide encouragement and promotions or enhance training based on the assessment scores. The Company also continues to communicate with segments to understand their needs in order to maximize linkage with their missions. We also advanced talents' learning maps and individual learning plans in order to provide Grape King Bio's employees with necessary professional competency-oriented cultivation courses. We hope through our efforts, their potential for sustainable development can be inspired and our employee care and personal development plans can be effectively implemented.



4.1 Talent Recruitment and Structure

We have, as a principle, always prioritized the appointment of domestic talent in response to continuous and stable business growth and to energize domestic job market (as of today, the Company has not appointed foreign blue-collar workers). We also established the Labor Committee and organized regular meetings to ensure that 100% of employees are covered in the collective agreements.

We do not determine the recruitment, test, appointment, allocation, distribution, performance evaluation, or promotions of the job seekers or employees based on race, class, language, philosophy, religion, party affiliation, place of origin, place of birth, gender, sexual orientation, age, marital status, appearance, physical and mental disabilities, or labor representation. We do not discriminate or impose differential treatment. We also recruit a certain percentage of people with physical and mental disabilities in accordance with the law, and we provide job opportunities to mentally challenged children from the Chensenmei Social Welfare Foundation near the Company in long-term cooperation.



Recruitment Channels

The Company effectively makes use of regular recruitment channels and focuses on the four following channels:

(1) Industry, government, and academia collaboration—Recruitment of veterans

The Company implements internship programs in industrial and academic collaboration with colleges across the country to help young students cultivate their professional knowledge and develop outstanding talent with potential. We collaborated with the Veterans Affairs Council Talent Training Center in 2018 to match make retired military personnel and the industry in creating new career development goals. The programs help retired military personnel in the transfer into private organizations and help increase local employment.

(2) Internal recruitment and rotation

Grape King Bio's employee rotation management regulations are implemented in response to our organizational requirements for all employees to meet their requirements for jobs and maximize their potential. We adopt an open perspective on implementing internal rotation for employees, and we adopt rigorous procedures to control related operations in order to guarantee the rights of employees and the Company.

(3) Internal recommendations

Individuals recommended by internal employees are most qualified. Therefore, we encourage employees to recommend talent and we implement fair and consistent recruitment procedures for screening to maximize the effects of the recommendations.

(4) Active search for talent

Most companies wait for job seekers to actively apply, but we encourage human resources personnel to actively search for the talents we need. We hope to recruit outstanding and suitable talent for the Company regardless of the industry or background.



Status of Grape King Bio's Human Resources Structure in 2018

Item	Category	Pingzhen				Zhongli				Taipei				Sum of All Regions				Total			
		Male		Female		Male		Female		Male		Female		Male		Female		Male		Female	
		Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage
Title	Executives ranked Managers and above	12	5%	5	2.1%	3	2%	1	0.6%	1	8%	—	—	16	4%	6	2%	203	51%	195	49%
	Production line workers	36	15%	29	12.3%	38	26%	15	10%	—	—	—	—	74	19%	45	11%				
	Other employees	71	30%	83	35.2%	40	27%	52	35%	2	15%	10	77%	113	28%	144	36%				
Hiring Category	Full-time employees	119	50.4%	117	49.6%	81	54.4%	68	45.6%	3	23%	10	77%	203	51%	195	49%	203	51%	195	49%
	Part-time employees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—				
Nationality	Local hire	118	50%	117	49.6%	81	54.4%	68	45.6%	3	23%	10	77%	202	50.7%	195	49%	203	51%	195	49%
	Foreign hire	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—				
	Foreign national (White collar)	1	0.4%	—	—	—	—	—	—	—	—	—	—	1	0.3%	—	—				
	Foreign national (Blue collar)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—				

Note: Personnel of Grape King Bio's Biotech Research Institute are included in Pingzhen Plant before the official inauguration.

Grape King Bio promotes employee diversity and equality, and we have established regulations protecting the rights and interests of people with disabilities and indigenous employees. We recruit both indigenous employees and people with disabilities in external talent recruitment. We currently have 1 indigenous employee and 2 people with disabilities (1 medium, 1 severe and very severe). Physically or mentally challenged and indigenous employees hired in 2018 were as follows:

Year		2016	2017	2018
Total number of employees		321	361	398
Indigenous employees	Number	1	1	1
	Percentage	0.31%	0.28%	0.25%
Physically or mentally challenged	Number	3	3	2
	Percentage	0.93%	0.83%	0.50%

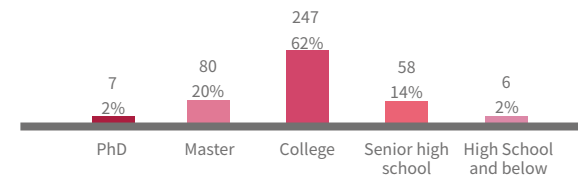
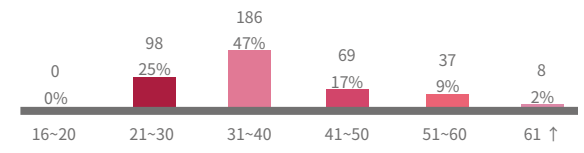
Gender Ratio of Employed Personnel in the Past Three Years			
Item	2016	2017	2018
All workers, M:F	49% : 51%	50% : 50%	51% : 49%
New recruits by year, M:F	45% : 55%	63% : 37%	54% : 46%
Starting salary ratio for new male and female recruits (with the same job description)	1:1	1:1	1:1
Welfare input value ratio, M:F	1:1	1:1	1:1

2018 New Hires and Turnover Rate

Item	2016	2017	2018
Ratio of New Hires	13.46%	21.61%	18.59%
Turnover Rate	7.37%	6.09%	9.04%

Note: Ratio of new hires = [total new hires of the current year]/[total employees at the end of the current year]; separation rate = [number of people resigning in the current year]/[number of employees at the end of the current year]

2018 Employee Education and Age Distribution



2018 Distribution of New Recruits / Resigned Workers by Gender

Category	Age	Pingzhen				Zhongli				Taipei				Total			
		Male		Female		Male		Female		Male		Female		Male		Female	
		Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage	Persons	Percentage
New recruits	21~30	11	20%	17	31%	4	25%	2	12.5%	1	25%	1	25%	16	22%	20	27%
	31~40	12	22%	10	19%	8	50%	2	12.5%	—	—	1	25%	20	27%	13	18%
	41~50	3	6%	—	—	—	—	—	—	—	—	1	25%	3	4%	1	1%
	51~60	1	2%	—	—	—	—	—	—	—	—	—	—	1	1%	—	—
	Over 61	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total		27	50%	27	50%	12	75%	4	25%	1	25%	3	75%	40	54%	34	46%
Resigned employees	21~30	2	10.5%	7	37	4	27	—	—	—	—	—	—	6	17%	7	19%
	31~40	2	10.5%	3	16%	6	40%	2	13.3%	—	—	1	50%	8	22%	6	17%
	41~50	1	5%	—	—	1	6%	—	—	—	—	1	50%	2	5.5%	1	3%
	51~60	1	5%	—	—	—	—	2	13.3%	—	—	—	—	1	3%	2	5%
	Over 61	2	11%	1	5%	—	—	—	—	—	—	—	—	2	5.5%	1	3%
Total		8	42%	11	58%	11	73%	4	27%	—	—	2	100%	19	53%	17	47%



4.2 Talent Cultivation

We value the career development of all employees, and we encourage them to grasp all kinds of opportunities for learning. Employees are also happy to provide feedback for us with the knowledge they have acquired. We hope to form a positive learning cycle by building positive influence through outstanding employees and creating a sense of mission and honor. We have introduced a target and performance management system to effectively distinguish employees based on merit and make the evaluation fairer and more transparent. We have also set up the weights of good and bad bonuses to effectively encourage employees. We plan to initiate the KPI optimization program in the future to connect employees' personal performance with that of the segment, division, and head office. The target and performance management system are described as follows:

Goal setting: Gradual expansion from top to bottom

1) Top-down Goal setting: Gradual expansion

The General Manager's Office responds to future development at the beginning of each year and formulates annual management goals. The managers of each segment take on targets based on their functions and employees of segments take on targets for work based on their duties.



Target achievement: Assistance from bottom to top

2) Bottom-up Target achievement: Assistance

The achievement of individual target allows departments to complete their targets. The completion of segment targets allows the Company's targets to be accomplished.

4.2.1 Talent Development

Dual-track System

We group our talent into two categories: management talent and professional talent. These groups are given the opportunity to choose their learning path so that every individual is able to put what they have learned to good use. Specific measures are described below:

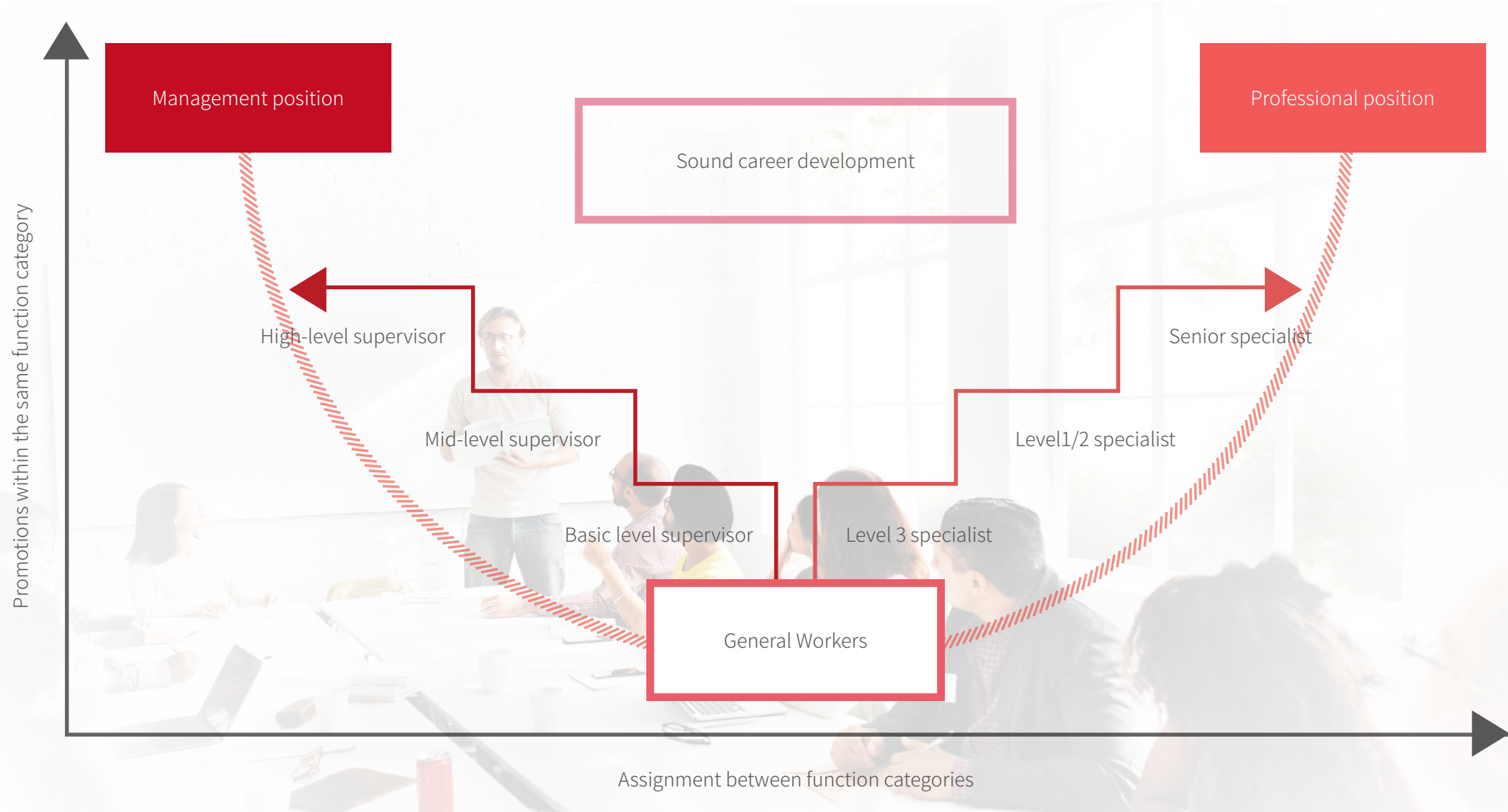
(1) Development of our learning roadmap

The professional ability and competency required for every function category (production, marketing, HR, R&D, and finance) are clearly defined, and the current development of workers is compared to identify the skills and knowledge gap before providing the proper training.

(2) Develop personal learning roadmap

The direction in which we are heading toward is combined with the career development of every worker to picture their learning roadmap according to each individual. This is to ensure that the path of growth of individuals and that of the Company can be aligned





Performance Assessment—Bidirectional Communication and Mutual Trust

At the beginning of the year, the personal objective of each individual employee is established through communication between the supervisor and the employee. Performance tracking and adjustments are conducted in the middle of the year and performance assessment at the end of the year. The assessment result is linked to not only the bonus, salary, job assignment, promotion, and pay raise, but also to future training needs. Workers and their supervisors maintain good communication throughout the performance assessment to ensure that the assessment results are credible and complete. Our implementation status for assessments in 2018 is shown in the table below:

Item	Purpose	Time(s)	Recipients
Evaluation of new employees	Objectively evaluate the performance and suitability of new employees on the job	45	Newly-hired within their first 3 months
Year-end evaluation	Evaluate employees' performance and develop employee capabilities objectively and fairly to achieve Company goals and improve Company performance	398	Management and regular administrative personnel / onsite operators

4.2.2 Employee Training Development

Grape King Bio formulates strategic plans and development objectives based on the Company's missions (the corporate soul), visions (the Company's objectives for individual stages), and core values (shared behavioral values). Our training needs are identified through quantification analysis, and training objectives and plans are established through gap analysis. We regard education and training as the cheapest and most effective investment instead of regarding it as cost and we hope to inspire employees' maximum potential with education and training.

1. Objectives



Work objectives (knowledge, skills, and abilities)



Competency objectives (potential, attitude, and behavior)



Performance objectives (performance ability gaps)



Personal development (career development planning)



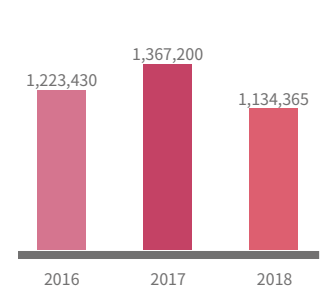
2. Training types

- (1) There are internal and external training programs depending on where the training takes place.
- (2) There are management courses, professional courses, and general knowledge courses depending on the nature of their needs.

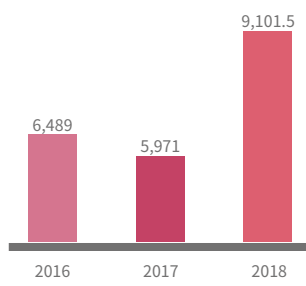
Learning roadmap					
Function	Production	Marketing	HR	R&D	Finance
Position					
High	<div style="text-align: center;"> <p>Training</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px;">O.J.T.</div> <div style="border: 1px solid black; padding: 5px;">OFF-J.T.</div> <div style="border: 1px solid black; padding: 5px;">S.D.</div> </div> <p style="color: red; font-size: 2em;">↓</p> </div>				
Middle					
Basic					
General	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Management/professional/general knowledge course </div>				

Statistics on Grape King Bio's training participants in 2018

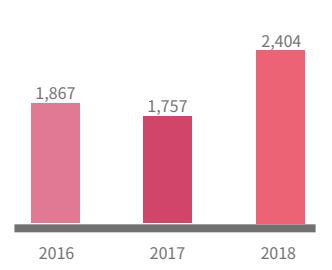
Total annual training cost(NTD)



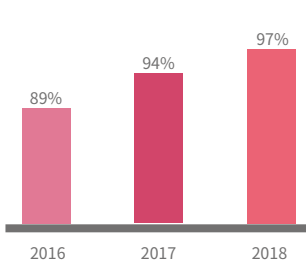
Total annual training hours



Total annual training participants



Total annual training prevalence (%)



Status of training in each plant by employee roles and genders in 2018

Item	Employee Category	Sum of All Regions		Sum of All Items	
		Male	Female	Male	Female
Total annual training hours	Executives ranked Managers and above	217	108.5		
	Production line workers	1,334.5	361.5	4,329	4,190.5
	Other employees	2,777.5	3,720.5		
Total annual training participants	Executives ranked Managers and above	73	44		
	Production line workers	360	127	1,109	1,205
	Other employees	676	1,034		
Total annual training prevalence	Executives ranked Managers and above	94%	100%		
	Production line workers	100%	98%	97%	98%
	Other employees	95%	95%		
Average annual training hours	Executives ranked Managers and above	13.6	18.1		
	Production line workers	18.0	8.2	21	21
	Other employees	24.6	25.7		

Incentives and Talent Retention

In order to retain talent and provide incentive rewards, we have designed incentive rewards at four different periods of the year. The year-end bonus is distributed in January, job assignment and pay raise in April, a midyear bonus in July, and job assignment and pay raise in October. The system is designed to improve our overall performance and connect potential salary changes, which encourages employees to improve themselves. The following items are taken into account when deciding the rewards:

- (1) Bonus and pay: The annual performance and objective achievement of a worker are considered together with the annual profits of the Company.
- (2) Changes and pay raise: The factors for consideration are whether the current pay of a worker is reasonable, his/her performance at work, future potential, annual pay raise budget, salary balance inside and outside of the Company, and price level.



4.3 Employee Benefits and Care

Grape King Bio adopts a dual-track welfare system that includes dual-track benefits from the Company and the Welfare Committee. To ensure that our salary and benefits system remains superior to standards in the industry, the Company actively adopts various management systems such as the target and performance management system to evaluate our employees in a fair and transparent manner. We have also set up the weights of good and bad bonuses to effectively encourage employees to discipline themselves to attain and fulfill their goals.



Employee Welfare Committee

Grape King Bio follows related regulations and provides employees with essential welfare, and we have also established a Welfare Committee. According to the Regulations Governing the Organization of the Employee Welfare Committee, the Committee shall hold a meeting every three months, and an ad hoc meeting shall be called when necessary. Its duties include



Compilation of the budget of the current year



Planning group recreational and tour activities



Inspiring employees' participation



Signing contracts with partner stores



Year-end party activities or gift money.

- The Committee had organized badminton matches, bowling games, and movie screening in 2018.
- Welfare Committee expenditures in 2018: NT\$9,930,026.

4.3.1 Employee Benefits



Compensation and Benefits

Mid-year remuneration, year-end bonuses, festival gift or gift money (Chinese New Year, Dragon Boat Festival, Ghost Festival, and Mid-Autumn Festival), birthday gift, pension payment, preferential retirement packages, food allowance, wedding gift money, maternity gift money, salary transfer discounts, model employee gift money, labor gift or gift money



Health Insurance

Group insurance, employee family member insurance, travel insurance, physical examination for new recruits, regular physical examinations for employees, hospitalization relief fund



General Affairs

Uniforms, free laundry services, employee shopping discounts, employee parking spaces, a health center, breastfeeding (breast milk collection) rooms



Corporate Social Responsibilities

Employee scholarship incentives, scholarships for employees' children, funeral subsidies

The ratio of Grape King Bio's Employee Salaries in 2018

Rank	The ratio of base salary between female and male employees	The ratio of average remuneration between female and male employees
Management roles	42% : 58%	40% : 60%
Professional roles	52% : 48%	55% : 45%
General employees	46% : 54%	46% : 54%

Note:

1. Ratio of base salary between female and male employees = base salary of female employees / base salary of male employees on each level
2. The ratio of average remuneration between female and male employees = average remuneration of female employees / average remuneration of male employees

Retirement Benefits

We have established employee retirement policies in accordance with the Labor Standards Act. We also appropriated funds each month in accordance with the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds to dedicated accounts. Employees may apply for retirement once they meet the following criteria:

- Employees who are 55 years old or older and have provided services for 15 years or more
- Employees who have provided services for 25 years or more
- Employees who are 60 years old or older and have provided services for 10 years or more

We award 2 base points for every year of service and 1 base point for every year of service from 15 years and beyond. No more than 45 base points can be accumulated. Less than half a year of service is considered half a year and less than a full year but more than half a year of service is considered a full year.



\$23,041,079

Labor pension preparatory fund account balance



8

Number of employees retired in 2018

4.3.2 Employee Care

To provide employees with a happy workplace, Grape King Bio provides comprehensive and equal employee welfare protection. We remain committed to helping employees gain work-life balance. Employees can obtain leave and assistance during pregnancy, childbirth, and child-rearing regardless of their gender and Grape King Bio also organizes several activities to provide employees with assistance.

Unpaid Parental Leave

Employees may file applications for paternal leave, unpaid parental leave, maternity leave, and menstrual leave based on their own needs. Employees who have applied for unpaid parental leaves were all female employees, and 41 of our employees are qualified for parental leave.

Item	2016	2017	2018
Number of applicants for paternity leave	5	6	13
Number of applicants for maternity leave	7	5	9
Number of employees on unpaid parental leave	3	2	3
Rate of reinstatement after parental leave (reinstatement rate)	100%	100%	67%
Rate of retention after parental leave (retention rate)	100%	100%	100%

Note:

The proportion of reinstatement after unpaid parental leave = actual number of reinstated personnel / number of reinstated personnel in the year of the Report
 The proportion of retention after unpaid parental leave = number of personnel reinstated in the previous year of the Report who have worked for one year / number of reinstated personnel in the previous year of the Report

Workplace Maternal Health Talks

50% of the Company's employees are female, and 160 of the female employees are of childbearing age. 6 employees are currently pregnant and 7 employees currently breastfeed their children. Breastfeeding and breast milk collection rooms were constructed in current Grape King Bio factories and offices and will also be constructed in the Grape King Biotech Research Institute. To improve female employees' related knowledge and skills during their pregnancy and breastfeeding period as well as their return to the workplace without interruption in breastfeeding. The Company implemented breastfeeding policy that is actively promoted by the Health Promotion Administration of the Ministry of Health and Welfare. We have a female health advisor to improve employees' knowledge and skills for pregnancy, childbirth, and breastfeeding periods. The Company aims to build a friendly work environment and improve the physical and mental health of employees of childbearing age.

Care Interviews with Pregnant Employees and Employees After the Birth of Their First Child (Comprehensive Care Before and After Childbirth)

According to the Company's female laborer health protection procedures, the plant nurse conducts the first pregnancy care interview after being made aware of a pregnant employee, providing health consultation for the pregnancy, health education for the pregnancy and the breastfeeding period, introduction and explanation for various arrangements of the Company, and assistance in facilitating a happy transition through the childbearing process. The Company also appoints professional specialist physicians to provide onsite services such as health risk assessments and assignment of appropriate work. When a female employee returns to work after childbirth, the Company appoints professional specialist physicians again to provide health care. Our plant nurse also offers breastfeeding and breast milk collection guidance and instructions on the use of related facilities to provide a safe and comfortable environment for breastfeeding and breast milk collection.



Workplace Violence Prevention Team

To actively prevent workplace violence and, the Company has established the "Workplace Violence Prevention Team" to protect all employees from unlawful physical or mental harm at work. The members of the Workplace Violence Prevention Team" include Human Resources representatives, labor safety representatives, nursing personnel representatives, labor representatives, and onsite physicians. Changes of members requires the approval of the Company's General Manager. All members of the team remain objective, fair, and just in the reporting and complaint process to maintain absolute confidentiality of the interests and privacy of the victim and whistleblower. The Team also upholds a proactive attitude and takes the initiative for the execution of their tasks based on their obligations.



4.4 Employee Healthcare

Employees are Grape King Bio's most valuable assets. As we seek to increase the corporate value, we value their health management and health promotion, and we prioritize employees' health in the hopes of building a sustainable healthy corporate culture and fulfill our responsibilities. We arrange free health examinations for all employees each year, and we plan related health promotion activities based on surveys for assessing employee health requirements. We seek to build a friendly work environment and establish a happy corporate culture.



Grape King Bio currently employs two dedicated nurses



We had invested NT\$1,044 thousand in employee health management in 2018



We organized 23 health promotion activities with a total of 2,245 participants.



Employee participation has increased by 20% from the previous year.

4.4.1 Employee Health Management

We perform a company-wide questionnaire survey to learn about employees' lifestyle, health requirements, and demand for health promotion activities in order to discover employees' health issues and related health requirements. Appropriate health examination plans are performed each year based on the gender, age group, and work environment of employees in the hope of discovering potential and existing health issues at the early stages. We implement various health management measures in accordance with the labor health management plans and encourage participation from all employees. Related health management plans are as follows:

- 01 Promote health-related talks
- 02 Provide comprehensive care for specific cases
- 03 Evaluate related workplace hazards and make improvements
- 04 Establish related measures and regulations for health management
- 05 Provide appropriate arrangements for disadvantaged groups
- 06 Follow up on injuries of employees
- 07 Promote voluntary health management awareness
- 08 Arrange profession specialist physicians
- 09 Provide free annual health examinations
- 10 Establish grievance channels

Specialist Physicians Provide Onsite Services

Grape King Bio exceeds regulatory requirements and appoints licensed professional specialist physician to provide onsite services for two hours each month. The physician provides health consultation, health care, pregnancy breastfeeding care, and consultation services, workplace inspections, occupational injury assessment and consultation, work assignment evaluation, return-to-work evaluation, and other health management and health promotion tasks. Approximately 380 employees were serviced by professional nurses in 2018.

Health Promotion Implementation (please refer to Ch4.4.2)

As the results of health examinations in 2016 and 2017 revealed that 46% of all employees have irregular body mass index (ratio of overweight employees), the Company seeks to encourage employees to develop exercise habits and healthy physique. Until 2018, we had arranged a series of healthy aerobic courses for 3 consecutive years to cultivate regular exercise habits from top to bottom. The Chairman and all employees participated in various sports, courses, and competition together. We appointed professional nurses to take charge of employee health promotion affairs, and we set up a gym at the office to provide employees with a supportive environment for exercising, cultivate their independent health management capabilities. The overall satisfaction rate of health promotion activities was 98%.



4.4.2 Annual Employee Health Promotion Program

We utilize the results from surveys on employees' lifestyles, health requirements, and health promotion activities at the end of each year and results of the annual employee health examination to plan labor health management programs for the following year. We also organize various health management and health promotion activities for employees based on the labor health management plan of the year.

"Year-round Healthy Aerobics and Fresh Air for Life"

To achieve healthy weight control goals and encourage employees to cultivate healthy lifestyles, we organized the "Grape King Bio's Fat for Cash Team Health Program" based on the principles of "diet management", "exercise management", and "development of healthy lifestyles". The total reward amounted to NT\$70,000, and we encouraged employee participation. The results of weight-loss have improved by 10.7% from the previous year, and the results of fat reduction improved by 2.5-fold. The activity was coupled with the "Grape King Bio Health Grand Slam Points for Gifts Program" and the "Grape King Bio Health Celebrity Challenge Points for Cash Program" to improve employees' initiatives for exercising. 42% of employees who participated in the program stated that they had increased the frequency of their exercises.



Grape King Bio Health Grand Slam and Grape King Bio Health Celebrity Challenge

To encourage employees to actively participate in related health promotion activities, seminars, and gyms sessions were organized by the Company to create a healthy promotion workplace environment. The Company has planned points for gifts and cash activities to encourage employees to manage their health independently. Employees may accumulate points by participating in any health promotion activity, seminar, gym or sports event organized by the Employee Welfare Committee or participating in activities such as weight training, running, health walks, mountain climbing, and cycling to exchange for gifts or prize money. A total of 83 employees participated in the events in 2018, and the total expenses amounted to NT\$95,945.



"Administering Flu Vaccine" for all employees of Grape King Bio:

A Flu vaccine was given voluntarily to employees who wanted to build up their immunity or who had weak immunities by building "herd immunity." Vaccine injections drastically reduce the probability of illnesses and reduce physical harm or death. The Taiwan Centers for Disease Control recommends one injection each year to improve the immunity of all employees, and the Company organized the company-wide 2018 flu vaccination event:

- Vaccination brand and type: Vaxigrip produced by Sanofi Taiwan Co., Ltd. (made in France), quadrivalent Influenza vaccine



A total of **150 employees** participated in the event



The total expenses amounted to approximately **NT\$105,100**



"Technology Fitness Inspection + Sports Health Seminar" for all employees of Grape King Bio:

Correct fitness inspection and assessments can help us with safe and effective exercise. To enable employees to understand their personal fitness and suitable methods of exercise, we invited the organizer-the iSport Corporate Technology Fitness Team of the Sports Administration, Ministry of Education and the co-organizer-Global Views magazine to assist employees with technology fitness examinations. They used technical assessments to set various fitness goals and provide evaluation, instructions, and examination reports and tests to improve employees' knowledge and skills.

The events included (1) technology fitness examinations totaling 4 hours and (2) sports health seminar

81 employees participated in the technology fitness event, and 35 employees participated in the sports health seminar. The events were fully sponsored by the Sports Administration, Ministry of Education.

4.5 Occupational Safety

Policies

We review development trends in the industry and uphold the interest of both labor and management; adopt swift and active response measures to create a safe, healthy, and comfortable work environment and improve employees' work safety and quality of life ([Environment and Safety Management Policy](#))

Commitment

We commit ourselves to providing employees with a safe and healthy workplace and continue to promote sustainable occupational safety and health company culture.

Goals

- Short-term**
 - Establish an operating safety system and optimize the operations environment
 - Strengthen participation in health promotion activities
 - Independent health management
- Mid-term**
 - Advance and participate in the selection of outstanding occupational safety and health unit
 - Advance and participate in the selection of outstanding workplace health
 - Continue to advance the occupational safety and health management system
- Long-term**
 - Advance and participate in the Occupational Safety Five-Star Awards: Company Benchmark Award and Occupational Health Special Award
 - Promote balance between work and life

Grape King Bio adopts the business philosophy of "contribute and build a better future for society" and provides employees with a safe and healthy work environment. We have provided environmental safety and health risks management and provided employees with consultation, time, and resources to encourage active participation in environmental, safety, and sanitation activities. We have strengthened education and training for all employees and have the "Occupational Health and Safety Management Committee" to take charge of planning and organizing related safety and health affairs. The Committee operates under the supervision of the Chairman. We have initiated a series of courses for all employees to understand the importance of preventing environmental pollution, unhealthy activities, injuries, and illnesses, and we continue to strengthen our resolve and faith for improvements towards the goal of sustainable development.

4.5.1 Provide Employees with a Safe and Healthy Working Environment

1. Risk assessment

Risks can be divided into environmental risks and safety and health risks. Each department completes overall assessments of routine and non-routine activities and possible risks based on the severity of damage, the scope of impact, and frequency of occurrence to classify risks and facilitate continuous improvement.



Responsibilities

Internal responsible unit:
Plant maintenance and public security

Resources

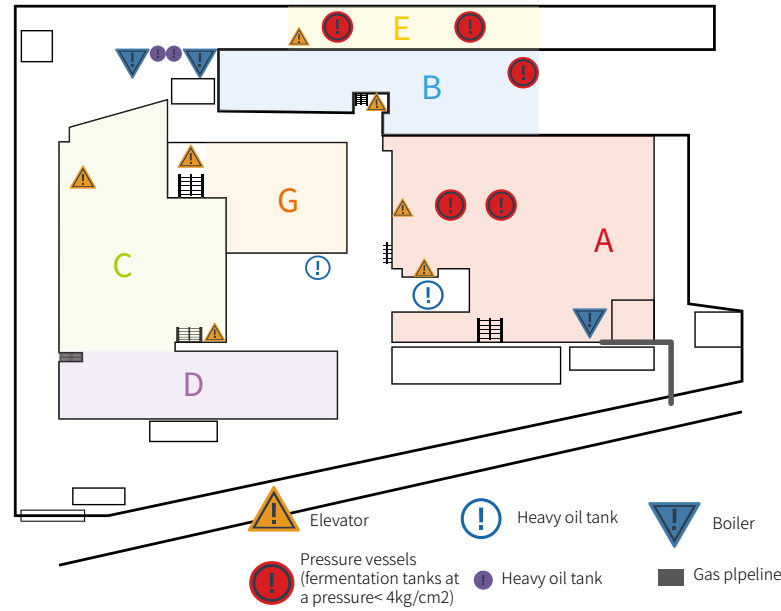
- Units invested NT\$8.75 million in environmental safety and health improvement fees including NT\$450,000 in improvement expenses for the Occupational Safety Department (including environmental protection).
- Advance the OHSAS18001/TOSHMS follow-up attestation
- Set up safety and health display racks and purchase emergency response facilities and thermal imaging equipment

Actual Achievements

- Pingzhen Plant achieved 480,000 hours with zero occupational hazard records.
- Organized the Northern Region TOSHMS Northern Region Exchange Event
- Various employee healthcare projects (Please refer to Ch4.4.2)

2. Work environment inspection

We identify the existing work environment and formulate sampling strategies, assessment, and mechanisms and communicate to related personnel the hazards and risks they are exposed to in order to facilitate continuous improvement and optimize laborers' operating environment.



3. Operational Safety Management

(1) Occupational Safety and Health Activities and Promotion

We actively participate in the TOSHMS Northern Region Exchange Event organized by the Occupational Safety and Health Administration of the Ministry of Labor and the Safety and Health Technology Center and share Grape King Bio's experience in occupational safety and health management

(2) Optimize Education, Training, and the Use of PPE:

In addition to purchasing necessary protective equipment, we have also set up safety and sanitary protective equipment display racks at the guard post to help employees and contractors to understand the use of protective equipment and provide instant support with such equipment in emergencies.



(3) Occupational Safety Joint Inspection and Management:

The Occupational Safety Department conducts an independent inspection and regularly assembles employees from related units to participate in onsite occupational safety and health operations. We adopt various viewpoints and discuss potential concerns within the shortest time possible and follow up on improvements in order to cultivate a sense of occupational safety responsibilities for all operating staff.



(4) Electrical Safety Management:

The Company purchased infrared thermal imaging sensors in accordance with the infrared thermal imaging inspection operations standards and assign dedicated personnel to implement electrical equipment inspections, records, and tracking to ensure safe electricity usage in the plant.

(5) Health Management:

Grape King Bio conducts a special inspection on noise, employees who use chemicals, employees that come into contact with products, and food. We also advance toward the goal of health inspections for all employees each year. The plant has established dedicated nursing personnel superior to regulatory requirements and established a health management center as well as emergency response equipment such as AEDs for emergency use.

(6) Occupational Hazards:

We did not experience any major occupational hazards from 2014 to 2018. We participated in the Zero Occupation Hazard Hours event organized by the Occupational Safety and Health Administration, Ministry of Labor in 2017 and, Pingzhen Plant achieved 480,000 hours with zero occupational hazard records for the first time. However, an employee at the Zhongli Plant suffered burns in 2018 due to the failure of the diaphragm valve during disinfectant operations. The steam leaked during the removal of the blind disks and caused burns on the employee's body. In response to this incident, we now use blind disks to seal the tubes and now require employees to wear additional personal protective equipment and follow a new SOP. When conducting thorough inspections and equipment repairs, all the pressure must first be released before using the manual valves. All employees have been educated on this new SOP.



Grape King Bio's occupational hazards statistics in 2018 are as follows:

All Plants	Occupational Hazards		Work Days Lost	Total Occupational Injuries	Total Absent Days	Work Loss Rate	Absence Rate
	Injuries	Deaths					
Female	0	0	0	0	0	0	0
Male	1	0	16	1	16	9.7	77.6
Total	1	0	16	1	16	9.7	77.6

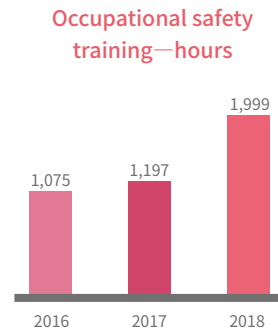
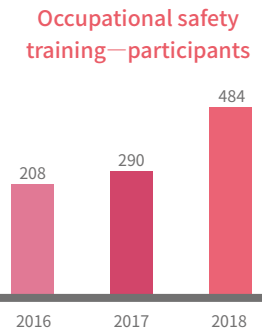
The category of occupational injury : Burn

Occupational Safety Education and Training

To prevent occupational accidents, Grape King Bio constantly tracks and provides on-job training regarding occupational health and safety. We ensure that workers and their supervisors have enough training hours in accordance with law, and we actively participate in external training to stay updated with the latest knowledge regarding the industry's labor safety.

Grape King Bio provides multiple occupational safety training courses and emergency response drills. We also implement 90 hours of training specifically for ISO14001 and OHSAS 18001 with the aim of using comprehensive education and training programs to fully implement occupational health and safety measures for all employees.

Grape King Bio's participants in occupational safety training and occupational training hours in 2018 are specified in the table below:



4.5.2 Occupational Safety Risk Assessment

1. Environment and Safety Assessment

Grape King Bio began occupational safety risk assessments and appraisals in 2017 to attain control over related risks through multiple engineering projects and improvements. We design corresponding occupational safety response strategies for the top 25% identified risk items.

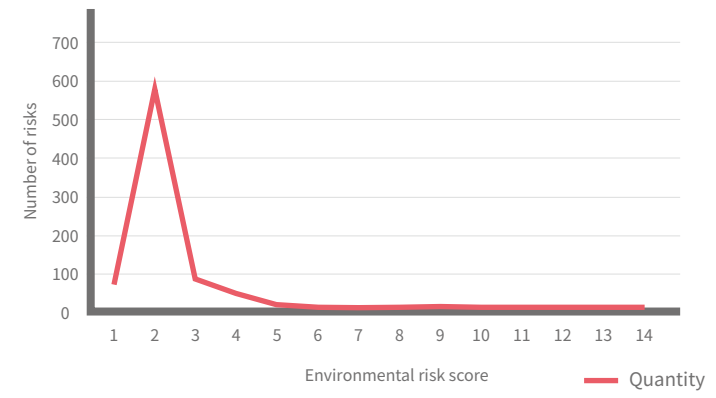
We implemented a total of 19 project management items and invested a total of approximately NT\$9.2 million in 2018 to fully improve management of environmental, and occupational safety and health risks.

We perform specific projects for risks that include major environmental concerns and occupational safety and sanitation management. Grape King Bio adopts the following six types of responsive strategies:

- 01 Reduce hazardous risk**
- 02 Implement environmental protection**
- 03 Perform compliance obligations**
- 04 Improve sustainable cycles**
- 05 Advance full participation from employees**
- 06 Build a friendly work environment**

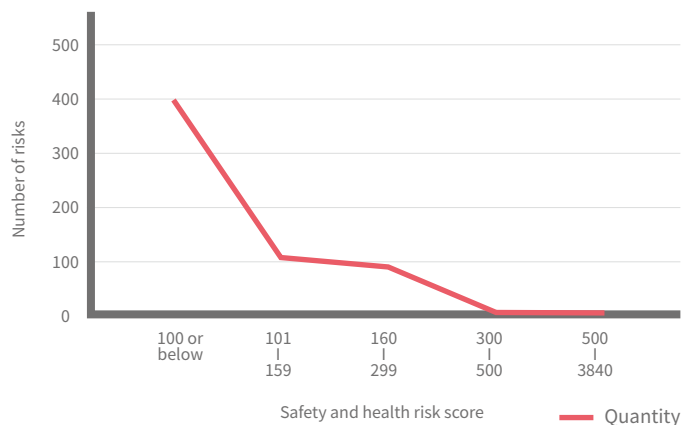
With regard to the assessment of environmental risks, we have accumulated 794 assessments this year. There were 130 cases with related risk assessment of higher than 2 points and they shall be evaluated, placed under evaluation and observation, included into consideration for major environmental issues, and processed in specific projects based on actual conditions.

Environmental risk considerations



As of Safety and sanitation risks. A total of 600 risks were detected this year. Risks with a score of higher than 160 shall be included in occupational safety and health risk management. A total of 93 cases were inspected and discussed and projects were designed for specific items.v

Safety and sanitation risk considerations



2. Occupational Safety Management Procedures

I. Operating Procedures for Preventing Diseases Caused by Abnormal Work Load

- (1) We use employee health examination data (including the survey) and work hour data analysis
- (2) High-risk group identification and evaluation
- (3) Physician interview and health instructions
- (4) Schedule adjustments or reduction and adjustment of work content

- (5) Health examination
- (6) Health management and health promotion
- (7) Performance assessment
- (8) Improvements and other matters related to safety and health

II. Human-Factor Hazards Management Procedures

We have established the "Human Factor Hazard Prevention and Management Procedures" to provide employees with a good work environment, maintain the health of employees, prevent human-factor hazards, and prevent injuries and diseases from repetitive use of muscles in order to effectively reduce the risks of musculoskeletal injuries of employees.

Human-factor hazards management procedures (human-factor hazard evaluation procedures)

- (1) Distribute questionnaires
- (2) Collect questionnaires for statistical analysis
- (3) Locate individual cases with suspected medium to high-risk hazards
- (4) Arrange observation for onsite operations
- (5) Assign an occupational medicine practitioner to help provide services onsite and implement onsite interviews
- (6) Use the assessment form to locate human-factor hazards
- (7) Provide appropriate remedial measures and suggestions based on evaluation results
- (8) Provide performance evaluation based on the results of improvement plans

4.6 Employee Communication

4.6.1 Diverse Communication Channels

1. Report and complaint channels

We provide diverse and smooth reporting and complaint channels to prevent any illegal and unethical misconduct that violate the rules of the Company or the government. Any individual is welcome to file a report or complaint one of the following channels.

2. Prohibition on workplace sexual harassment

The Company has established related sexual harassment prevention measures and regulations and posted them on bulletin board for employees to file complaints with sexual harassment complaint mailboxes. No cases of sexual harassment have been reported in the Company, but the Company will continue to educate employees.

3. Periodical labor-management meetings

Grape King Bio calls for employer and employees meeting on a regular basis to allow both sides to express their thoughts about the Company, ensuring that voices from different functional departments can be heard.

Results of labor-management meetings in 2018 are as follows:

- (1) Regarding the issue of whether female employees can work after 10 p.m. due to the Company's business requirements, the Company decided in a meeting to protect female employees and established an agreement with a taxi company.
- (2) Employees have agreed to modified working hours on a biweekly basis due to the Company's business operations to ensure flexible working hours.

4. Prevention of forced labor

Grape King Bio keeps a close eye on the working hours of every department, making sure that no law is violated and that no one is forced to work more than he/she should.

5. Unscheduled meetings

Grape King Bio follows up on the status of work hours of each segment and organizes various interviews such as interviews for new employees, on-job interviews, and resignation interviews in order to understand the employees' work status. These channels can serve as feedback mechanisms to the Company and enable the employees to express their views or opinions. The four types of interviews are as follows:



New employee interview

Understand how new employees adapt to each segment and provide appropriate assistance if necessary

On-job interview

Fully understand the current employees' satisfaction with the job

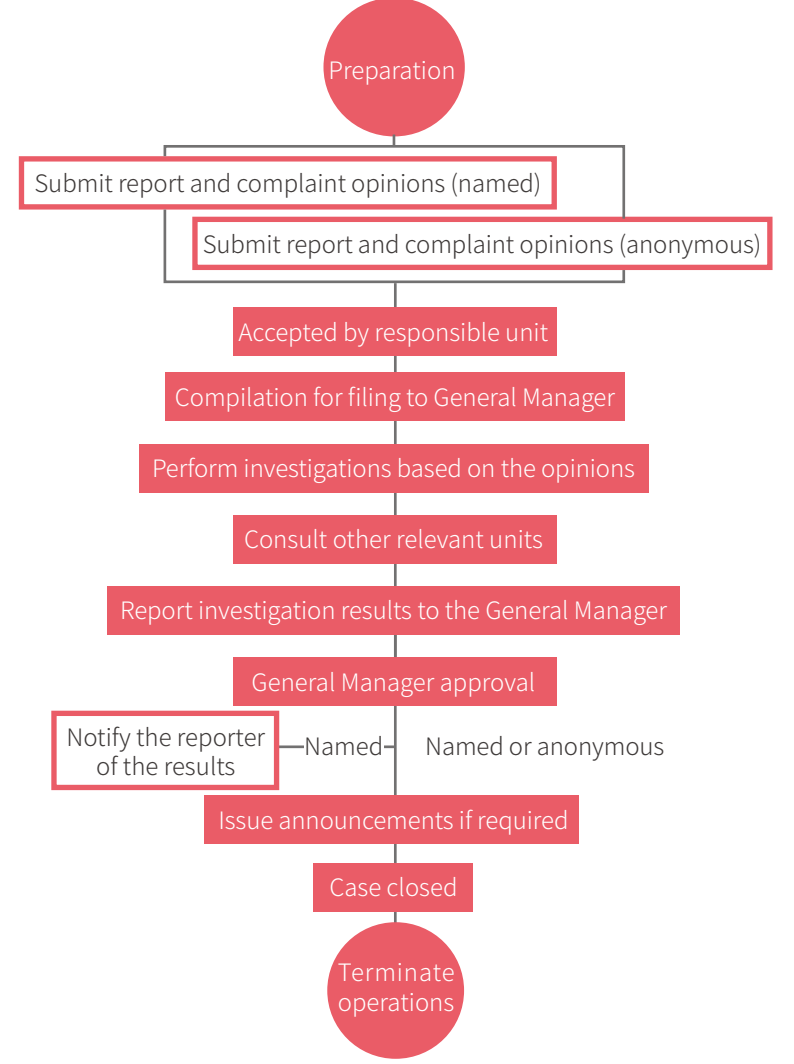
Performance interview

Communicate with employees on their work performance and provide immediate feedback

Resignation interview

Analyze the reasons for resignation as a basis for further improvements

Report and complaint procedures



4.6.2 Employee Satisfaction

The results of the employee satisfaction survey from 2018 are as follows:

Results of employee Satisfaction Survey	
Dimension	Mean value
Work satisfaction	3.63
Supervisor leadership	3.88
Performance management	3.55
Organizational Commitment	3.94

1. The Organizational Commitment rating is the highest (3.94 points) in overall satisfaction rating due to the Company's continuous growth and the organization of large and small-scale events for employees to participate together. Grape King Bio also actively promotes CSR activities to help employees feel the integration of the Company with social welfare and the general environment, which improves the Organizational Commitment rating and positive image.
2. The performance management aspect scores the lowest in overall satisfaction rating. The main reason is that the Company's evaluation system and salary and remuneration system are highly confidential which makes most employees feel a lack of comparison, openness, and transparency. Therefore, they find the performance evaluation and the remuneration system to be unfair. This is currently being addressed to see what changes can be made.

3. The statement "I am happy that my employer is Grape King Bio" scores the highest among the items surveyed. This indicates the employees' overall recognition of the Company. The item with the lowest score is "my workload and my work time cannot be balanced." We will consider the Company's development and increase in overall manpower as well as relative improvements in the units' business volume, and unit managers may increase manpower to individual units. However, if the unit or the supervisor fails to adjust the unit's internal workload when adding manpower, it may cause the newly-added manpower to respond only to new businesses and hinder the full utilization of unit manpower.

4. With regard to work satisfaction, most employees believe that they understand the importance of their work to the Company but they show low satisfaction toward their sense of accomplishment, the work environment, and work demands. Therefore, unit supervisors will use performance evaluation interviews to gain a deeper understanding of employees' views and the adjustments needed, which is expected to improve the current status.

5. With regard to supervisor leadership, we identified that most supervisors support employees and provide them with assistance and constant communication. However, teams led by supervisors can continue to grow and improve and how the supervisor explains decisions to the team may require additional efforts. We may plan to arrange external training courses to facilitate the improvement of supervisors' leadership and management skills.





2018

Corporate Social
Responsibility Report

Preface

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



5.0

Social Prosperity

With regard to the society, we are committed to providing disadvantaged groups with financial support and learning assistance in order to use our advanced biotechnologies to continue research and development and create products that benefit the society. We continue our research, development, and innovation to provide products that are beneficial to the society and we organize and participate in numerous charitable activities to encourage our employees to pay attention to social welfare and dedicate themselves to it. Grape King Bio's involvement in social engagement in the past three years are as follows:

	Funding ^(Note) (NTD thousand)	Number of participants	Service hours
2016	5,417	358	335
2017	7,177	598	439
2018	9,530	706	1,603

Note1: Funding includes the public welfare expenditures donated to government authorities as well as charity expenditure in neighborhoods and other related associations. For the consistency with the scope of financial information disclosure, the disclosure data of 2016 and 2017 were adjusted

Note2: Funding includes the expense of Tseng Shui Chao Welfare Charitable Foundation

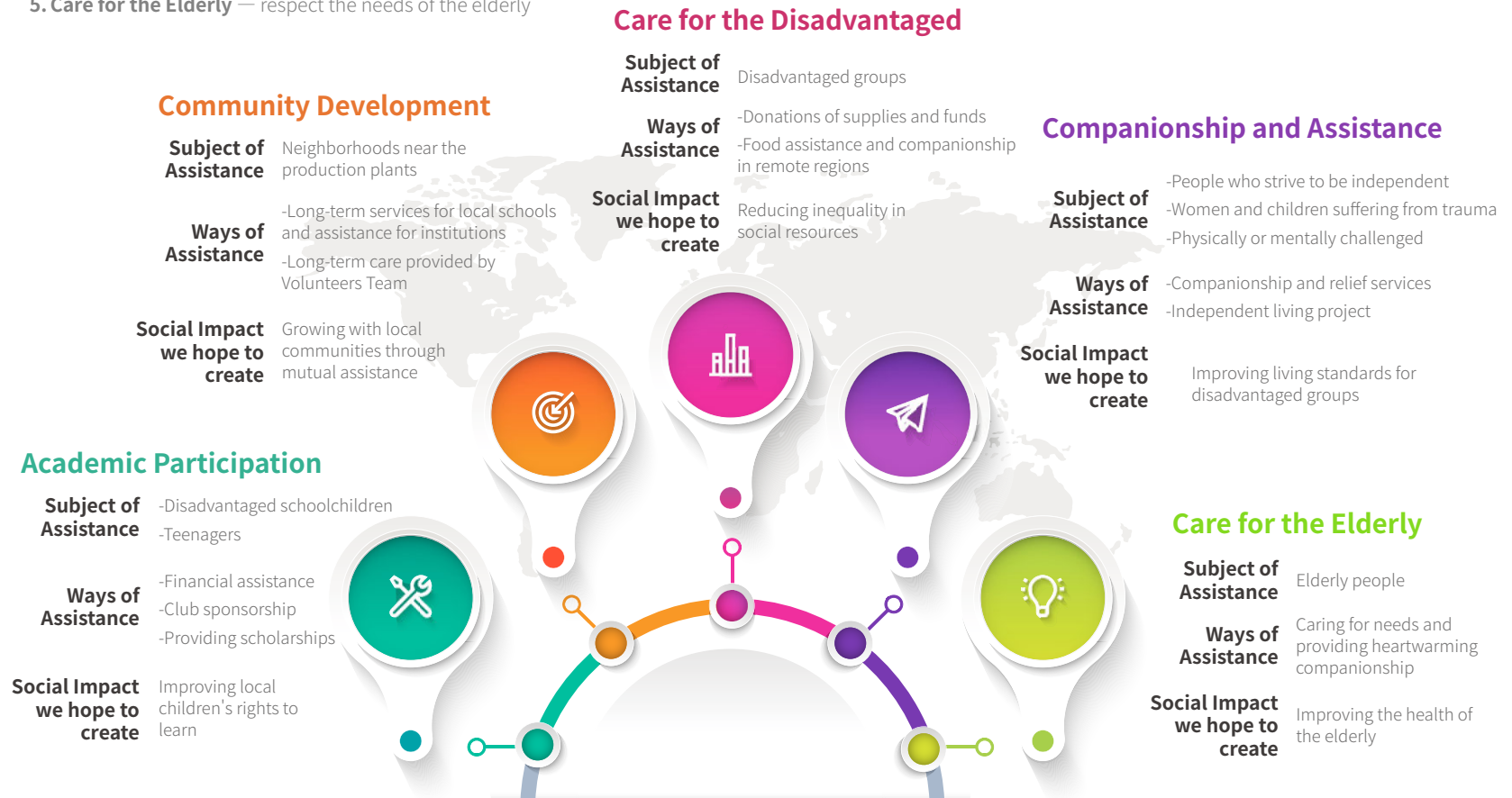
Participation of Employees of Grape King Bio

Grape King Bio established the Grape King Charity Volunteers Team in 2013 to actively promote social engagement, using company resources to help disadvantaged groups in the society and to participate in voluntary activities. In addition, to encourage more employees, we not only use working hours to organize volunteer activities but also provide supplementary rest hours for employees who are willing to participate in volunteer activities during non-office hours. The number of participants from Grape King Bio in social engagement in 2018 increased from 598 in the previous year to 706 participants in 2018. The number of service hours also increased from 439 hours in 2017 to 1,603 hours.

Grape King Bio divides social engagement into five core focuses in the hope of adopting them as the foundation for continuous improvement of corporate social responsibilities.

Social engagement mission: "Invest in local communities, contribute to public welfare, and create genuine impact for the society"

- 1. Academic Participation** — strengthen the competitiveness of future key talents
- 2. Community Development** — provide local assistance and caring
- 3. Care for the Disadvantaged** — provide resources and assistance
- 4. Companionship and Assistance** — help to improve the quality of life
- 5. Care for the Elderly** — respect the needs of the elderly



5.1 Academic Participation

5.1.1 Seed Talent Program (STP)

Grape King Bio values talent cultivation and uses the quarterly STP talent cultivation program to provide young students with opportunities to directly participate in projects in the industry and strengthen connections between the industry and schools. It is presided over by the Chairman and employees of Grape King Bio, leading students through every step from filing proposals to execution, which can help them gain experience in operations outside the classroom.

Participants in each quarter are given different tasks, including campus events for the PowerBOMB Energy Drink, which allow students to learn every procedure from planning and designing events, communicating with venues, to the implementation of the plans. This can encourage them to develop the capacity for resolving issues. The "Campus RPG" is also an event that connects online and offline activities. In addition, we organize the "Little Detective Party" in the Visitors Center for families and provide targets and target groups for marketing activities. Students then come up with great ideas that attract tourists.

2018 Result

- 2 echelons implemented
- Number of interns: 19
- Investment amount: NT\$300,000
- Participating supervisors and units of Grape King Bio: Chairman, General Manager's Office, CSR Committee, Marketing Department

5.1.2 Academic Participation for Supporting Children's Education

Grape King Bio has taken on the mission for supporting local children since 2007 and has made donations for emergency relief for junior high schools and elementary schools (include Pingzhen Junior High School, Longxing Junior High School, Zhongli Junior High School, and Longgang Elementary School). We also organize visits to disadvantaged families with schools at the end of each year to provide wish lists and help children from disadvantaged families fulfill their dreams.

We are committed to helping poor schoolchildren obtain an education so that their education is not affected by the low-income status of their family or other special conditions that cause difficulties in the families' finances, etc. We hope all our efforts could truly help schoolchildren in need.

Grape King Bio Scholarship

To encourage outstanding youths from disadvantaged families to work hard on their studies, Grape King Bio established the Grape King Bio High School Scholarship in 2014. As of 2018, we have sponsored a total of 22 young students, and we hope young students will continue to improve their studies. Grape King Bio hopes to contribute to society through the provision of university scholarships so that talent cultivation shall no longer be restricted.



5.1.3 Sponsor Club Activities to Encourage Diverse Development for Students

Talent cultivation is not merely focusing on academic studies. Grape King Bio also values schoolchildren's club activities and encourages students to explore diverse development opportunities and expand physical education, art, and cultural activities.

1. Pingzhen Junior High School Orchestra, Martial Art, and Table Tennis Clubs

Grape King Bio has begun sponsoring club activities since 2013 to assist in club operations and provide better resources for schoolchildren. We have been sparing no effort in diverse talent development, and Grape King Bio continued to provide sponsorship in 2018 with the aim of providing more assistance.

2. Longxing Junior High School Orchestra

We sponsored the Longxing Junior High School in organizing orchestra camps during winter and summer vacation for children from 5 elementary schools (PuRen, FuTai, LongGang, BeiShi, and LinSen Elementary School) within the district. The camp aims to help children learn how to play instruments, cultivate their musical specialties, and improve musical education for the community.

3. Zhongli Junior High School physical education class children

We provide subsidies for the taekwondo and the bicycle team in order to provide them with training spaces, coaches, and training courses as well as training for disadvantaged children. We hope that through our care, these children would set personal goals and bring glory to the country in the upcoming future.

4. Children of DongAn Junior High School's physical education class

Grape King Bio provides DongAn Junior High School with funding for diverse club activities, specialty classes, and physical education groups. We provide children of indigenous peoples and immigrants with assistance to support schools' initiatives for "adopting the school as home" and enable students to study their interests with peace of mind.

5. University of Taipei Table Tennis Team

Grape King Bio assists players from disadvantaged families with long-term training plans so that players do not have to worry about living expenses and tuition and affect their physical fitness and mental conditions. We support outstanding players with potential in future games and opportunities to achieve great results in the country and in foreign countries.



5.2 Community Development

5.2.1 Grape King Charity Volunteers Team

In 2018, Grape King Charity Volunteers Team organized a companionship and relief program for Chinjen Home for the Disabled of Taiwan Province, Ruth Society for Disability Service in Taoyuan City, and Chensenmei Social Welfare Foundation in Taoyuan City respectively. Senior executives led our employees in accompanying mentally challenged children for outdoor activities. The program provided mentally challenged children with opportunities for increasing social interactions and gave the caregivers of the institution resting time.

Grape King Bio's executives also led the Grape King Charity Volunteers Team in cooperation with Andrew Charity Foundation. They regularly assist in packaging food boxes, concentrating, sorting, and boxing supplies to help ease hunger for disadvantaged children. During Dragon Boat Festival, Grape King Charity Volunteers Team assisted Huashan Social Welfare Foundation in organizing a Dragon Boat Festival activity for the elderly to provide services. During Mid-Autumn Festival, the Volunteers Team accompanied children of Chung Yi Social Welfare Foundation in organizing Mid-Autumn Festival activities. In addition, Grape King Charity Volunteers Team expanded the scope of services in 2018 and organized a community clean-up service in the first half and second half of the year respectively to clean the streets of neighborhoods near Zhongli and Pingzhen Plants.



5.2.2 Local Care

Community Engagement

2018 marked the two-year anniversary of the establishment of Grape King Bio's head office in Pingzhen District. Grape King Bio has cultivated close relations with local communities and residents. In addition to caring for environmental protection issues in our surroundings, the Company also assists local heads of boroughs in organizing various activities and invests resources for the disadvantaged. We also establish scholarships for nearby schools and in order to support and encourage disadvantaged schoolchildren.



The Company has invested in sponsorship and environmental improvement fees totaling NT\$2,909,723 in 2018. The investments included:

1. Street clean-up activity for Beixing Borough communities
2. Beixing Borough manhole improvement plan (plans are being formulated and not yet established)
3. Sponsorship for beverages for visits to Beixing Borough communities
4. Regular clean-up of ditches near the Beixing Borough Plant
5. Sponsorship for beverages during festivities for construction units in the Longgang Road expansion project in Zhenxing Borough and Longxing Borough
6. Feedback charity street clean-up activity for Zhenxing and Longxing Borough communities
7. Sponsorship for security mechanisms (surveillance cameras) and sponsorship for Double Ninth Festival for the elderly
8. Provision of venue and sponsorship for physical health examination for Longxing Borough and Zhenxing Borough (Zhongli Plant)
9. Sponsorship for dinner parties for Mid-Autumn Festival in Beixing Borough, Longxing Borough, and Zhenxing Borough

Charity Health Examination

Grape King Bio bears responsibilities for neighborly conduct and during the past years up until 2018, we have provided the venue, manpower, resources, and electricity supply for health examination for residents of Zhenxing Borough near Zhongli Plant. The Company aims to promote the physical and mental health of residents and maintain relations with residents to create harmony and good interactions with local communities.

Care for the Community

On the eve of Mid-Autumn Festival in 2018, Grape King Bio purchased 300 boxes of pineapple cake gift boxes from Canaan Disability Home. All pineapple cakes were made by mentally challenged children. The pineapple cake gift boxes were distributed to residents near Zhongli and Pingzhen Plants for PR purposes. The Company provides the funding required for disadvantaged in institutions in order to resolve their physical cleanliness and sanitation issues. The measures also introduce institutions to the residents and create widespread social impact.

Blood Donation

With the concept of "donating one bag blood to save one life," the 2018 "Blood and Love Donation and Health without Borders; Donate Blood for a Brand New Year" blood donation event coincided with Chinese New Year when the blood storage volume in all areas was low. In response to the blood donation month event of Taiwan Blood Services Foundation, we invited employees and residents to participate in the blood donation event and keep storage levels high! We welcomed employees that meet qualifications for blood donation. We worked with the heads of boroughs near Zhongli Plant and Pingzhen Plant in the promotion of the event and invited all residents to participate in the event. A total of 99 employees and residents participated in the event and donated 140 bags of blood. The total expenses amounted to approximately NT\$39,690. In addition, the 2018 blood donation event took place at the Grape King Health and Vitality Power Center. The Company also organized an "invoice exchange for good gifts" event in the Center at the same time and collected 283 invoices for the Eden Social Welfare Foundation. There was also a charity sale of second-hand objects on the same day, and all proceeds and supplies were donated to Lohas Preschool.

Christmas Train of Happiness

To help more disadvantaged charitable institutions, Grape King Bio organized the "Christmas Events" for children, the elderly, people with disabilities, and women. We hope to spread the joy of Christmas to every corner of society and enable the residents of different institutions to experience the holidays. Grape King Bio hope to encourage more care about disadvantaged groups and help those in need through these events. The four major types of institutions received donations in 2018 included children welfare, welfare for physically or mentally challenged, elderly welfare, and women's welfare from all over Taiwan; a total of 23 institutions, more than 1,800 participants were supported.



Hualien Earthquake Relief

A major earthquake with a magnitude of over 7 struck Hualien City without warning on February 6, 2018. Four buildings collapsed and multiple buildings also experienced severe shaking and cracks, which inflicted heavy casualties. After the earthquake, Grape King Bio immediately donated NT\$2 million to Hualien County, local fire departments, and Chinese Sunnnyoung Caring Association for assistance in rescue and reconstruction. We started by providing supplies required for the early stages of the relief and family-use necessities for mid to long-term reconstruction. We also support disaster recovery and home rebuilding tasks to provide continuous companionship and care.

5.3 Care for the Disadvantaged

5.3.1 Food Assistance

Food Package Donation

Disadvantaged children often cannot receive adequate education and care and struggle with hunger because of their low-income status, single-parent, and being brought up by their grandparents. Grape King Bio has begun working with Andrew Charity Foundation in 2017 and has been regularly donating food boxes and supplies. The Company donated a total of 600 boxes of supplies to help 600 families in 2018. Grape King Bio's executives also led volunteers to gather and package supplies. Volunteers were very moved by the tasks.

Winter and Summer Vacation Meal Coupons

As schools are not open during winter and summer vacations and no lunch is provided, Grape King Bio pays concerns about children from poor households who may suffer from hunger. The Company, therefore, collaborated with the World Peace Foundation to provide donations to assist poor children with meals during winter and summer vacations. The program allows children to use food coupons to get meals so they won't suffer from hunger.

"No More Hunger! Let's Save People Now!"

Grape King Bio has adopted long-term actions for social care. Under the leadership of the Chairman, the Company organized employees from Pingzhen Plant, Zhongli Plant, and Longtan Plant to participate in the 29th 30 Hour Famine event organized by World Vision Taiwan in 2018. Through fasts and experiencing hunger, we sought to experience the challenges and difficulties of children who suffer from poverty, war, and food shortage. Charity sales

and donations were also held on the same day. Employees wrote down their blessings and hope that they could be delivered to children whose survival is under threat in distant places.

5.3.2 Children Care in Remote Areas

Children in remote areas are also targets of Grape King Bio's endeavors. We organized the "Reindeer Around the Island" project in 2016 and collected Christmas shoe boxes to help disadvantaged schoolchildren in remote areas, which help to improve children's mental capacities and advance ethical education. We continued the Christmas shoebox donations for the third year in 2018 and made donations to a total of 118 schoolchildren in 3 schools (Shilei Elementary School, Yushan Elementary School, and Waishe Elementary School). Grape King Bio also assisted 3 schools in Hualien and Taitung (Gufeng Elementary School, Tau-Yuan Junior High School, and Yanwan Elementary School) for repairs of children's playground facilities, winter uniform jackets, and winter sportswear to supplement deficiencies in playground facilities and supplies.



5.4 Companionship and Assistance

5.4.1 Accompany Children's Learning and Growth

Way of Learning

Grape King Bio seeks to help children and their families who work hard and do not give up on their studies despite poverty to study and pursue their dreams. In 2018, the Company teamed up with the World Vision Taiwan in providing after-class care and companionship events for children. Companionship programs help children complete their homework for the day/week and provide diverse activities for children to enable them to have fun while learning. World Vision Taiwan also arranged a visit to the "Grape King Health and Vitality Power Center" for Tien Hsin Elementary School to provide children.

Care for Disadvantaged Schoolchildren

Grape King Bio discovered that most families of disadvantaged schoolchildren are incapable of paying for tuition and providing ordinary life for their children. Therefore, Grape King Bio donated emergency relief funds and began organizing a series of events "Small Grape Daytrip" events. Till this day, we continue to advance schoolchildren in experiencing diverse life in various places to increase their confidence, cultivate gratitude, develop their sympathy for other people, and promote interactions between parents and children. We seek to inspire children's hope for the future through our efforts.

Grape King Bio also organized the "Wish List" event in 2018 to make disadvantaged schoolchildren's wishes come true on Christmas Day. We hope that this event can alleviate deficiencies they may experience in life.

Children's Home Activities

Ti-Hwei Children's Home is a private orphanage located in Tianmu, Taipei that acknowledges the importance of education through experience and advocates learning through practice. It hosts outdoor adventure camps during summer vacation every year for children to help them become independent. Grape King Bio has been assisting in the organization of camps since 2015. Our employees also served as volunteers in 2018 in the "Chu Island Service GO" event. They looked after children in outdoor adventures and experienced abundant fishery and agricultural culture and other ecological and cultural heritage. They also led children in their interactions with local residents and used musical performances to help elderly nursing homes or geriatric psychiatric day care centers, bringing joy to the elderly and experiencing the essence of providing services. The Company also hopes to use different activities to encourage more employees to serve as volunteers.



Sunflower Hut

Children and youths who had witnessed violence and conflicts between parents may suffer in their expressive capabilities. Grape King Bio seeks to help children and youth in psychological assistance by donating to the Therapy Room "Sunflower Hut" of the Garden of Hope Foundation Taoyuan Branch. The hut is used as a place for assisting children and youth as well as family activities. The Company also purchased diverse assistance media served as topics for different children, youths, and parents who had witnessed traumatic events.

5.4.2 Assistance for the Physically or Mentally Challenged

Companionship and Relief

Grape King Bio encourages employees to participate in volunteer services. The Company not only uses business hours to lead employees in practicing social welfare ideals but also provides services for the Chensenmei Social Welfare Foundation in the hope of enabling mentally challenged children to learn and providing institutional caregivers with relief. Grape King Bio, therefore, has been organizing the "Companionship and Relief" events since 2013. We continue to advance the events to provide services for mentally challenged children and institutions. In 2018, Grape King Bio volunteers took children with mental disabilities to experience shopping malls and Christmas Day events, taking in the Christmas spirit. We hope this can increase the opportunities for mentally challenged children who rarely go outside to interact with other people and improve their mental health.



Mentally Challenged Children Fruit Tree Planting

CaNaan Disability Home takes in patients with severe disabilities from low-income or disadvantaged families. Grape King Bio led mentally challenged children to farms and used therapy courses such as fruit trees cultivation to help the mentally challenged children of CaNaan Disability Home enjoy farming. The mentally challenged children worked hard together to weeded, flipped the earth, and applied fertilizers during gardening courses.

Information Classrooms for the Visually Impaired

Grape King Bio assisted Taipei Parents' Association for the Visually Impaired in the hope of using computer information and accessible education courses to improve learning for visually impaired children and cultivate their capacity for operating computers and accessing information, which can further improve their competitiveness for academic advances and employment. We helped them establish a solid foundation in basic computer skills from a young age and expand to future practices, expanding their comprehensive personal development. After they equipped with basic computer skills, these children can also benefit from advancement in information technology to expand their horizons and to communicate with the world.

Farm of Hope—Assistance for Development Delayed Children

Every season, the Farm of Hope of Ruth Society for Disability Service produces fresh vegetables without contamination or pesticides for the Developmental Delays (D.D) Angels or the general public. Growing delicious, healthy, and non-toxic vegetables require a suitable environment and the careful cultivation of D.D Angels and their teachers. In addition, organic fertilizers are also an important factor in the growth of vegetables. Therefore, Grape King Bio provided organic fertilizers to help D.D Angels grow vegetables. The program provided them with professional training and helped obtain basic knowledge about healthy diet. Donations of organic fertilizers enabled the Farm of Hope of Ruth Society for Disability Service to maintain a steady output of vegetables on campus and even sell to external entities.



5.4.3 Rebuild Women's Healthy New Life

Care for Victimized Women and Assist with Independence

The issue of sexual assault and domestic violence has gradually gained attention in recent years and Grape King Bio worked with the Garden of Hope Foundation to help rebuild the lives of traumatized women, providing assistance to alleviate their economic pressure and help with their children's education and housing issues. We encourage these women to perform outdoor activities in order to facilitate the development of the physical, mental, and spiritual health of the victimized women, girls, and children who bore witness to violence. We organized day trips to farms and a variety of ecological resources and environmental education to provide them with sufficient relaxation. We also work with Taipei Women's Rescue Foundation to help victimized women who are not eligible for government subsidies and provide them with emergency relief for accommodations and hospitalization expenses.

Employment Services for Teenagers and Female Homeless Persons

Grape King Bio also actively cares for women's issues. We helped ECPAT Taiwan in 2018 in providing assistance for young women who were subject to sexual exploitation and sexual assaults but who intended to lead independent lives. The employment services for the "Young Women's Independence Program" was carried out to help young women resolve or alleviate difficulties and issues in their disadvantaged status so that they may effectively enter society and lead lives without encountering the same difficulties.

In addition, the Company also made donations to the Good Samaritan Women Concerns Association in Taichung City to open handicraft courses to help

homeless women. The contents of the courses included handicraft cup sleeves, handbags, meticulously crafted red envelopes, etc. The Association adopted principles for suitable talent \ nature \ location to help women return to the job market and help homeless women with difficulties in seeking a new job, regain employment and lead independent lives.

5.5 Care for the Elderly

5.5.1 Provide the Elderly with Incessant Care

Elderly Care and Exchange Activities

Many elderly people in society require meal deliveries. To ensure the quality of their food and protect their health, Grape King Bio assisted Hondao Senior Citizen's Welfare Foundation in building a care safety net so that they would not suffer from hunger or malnutrition. The Foundation delivers lunch in 11 administrative regions in Taichung City in weekdays to underprivileged elderly citizens who are poor, has been living alone for long periods of time, and those facing mobility difficulties.

Grape King Bio also assisted Hondao Senior Citizen's Welfare Foundation in organizing inter-generation and inter-group activities to promote exercise for the elderly and encourage people to pay more attention to the elderly's physical activities. The Foundation adopted baseball—a sport favored and remembered by elderly people—and created a league as a platform for interaction. It also established game rules suitable for elder players to encourage the elderly to go out and play on the field.

Charity New Year's Dishes

Grape King Bio cares for elderly people who suffer from disabilities, dementia, and lack of familial support. Since 2016, we have continued to care for underprivileged elderly people who live alone so that they do not feel lonely on Chinese New Year's Eve in the cold winter. Volunteers from Grape King Bio visited the elderly in Taoyuan, delivered delicious traditional Chinese New Year food to them, and assisted Huashan Social Welfare Foundation in organizing year-end banquets for the underprivileged. We provide love and care for the elderly before Chinese New Year and wish they could enjoy a warm Chinese holiday.

5.5.2 Organize Events to Help Build Confidence

Elderly Care Services

Grape King Bio is committed to promoting diverse public welfare activities. The "My dear, I am Old" special exhibition in 2016 portrayed the current state of the elderly in Taiwan and changed the fear and prejudices elderly citizens may have when aging. Grape King Bio promoted the program again in 2017 for encouraging elderly citizens in Taiwan to return to the job market. We leveraged the Taiwan Active Aging Association's "Santa Claus Training School" to encourage elderly people to remain active and continue challenging themselves. We also invited the elderly "Santa Clauses" to work in the Visitors Center so that they can have a stage to fulfill their dreams and enjoy the holiday with local residents. We aim to create a mature and friendly environment so that elderly citizens can have the opportunity to lead quality lives.



2018
Corporate Social
Responsibility Report

Preface

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



6.0 Green Environment



[Special Column] Energy Saving and Carbon Reduction

Energy depletion is an important issue for society today. The Ministry of Economic Affairs promotes energy saving and carbon emission reduction tasks and encourage the industries, government agencies, and academic and research institutions to jointly implement energy saving and carbon emission reduction. As a benchmark in the domestic biotechnology industry, we actively respond to the government's energy saving and carbon emission reduction requirements. We launched the "2018 Energy saving and Carbon Emission Reduction Program" (hereinafter referred to as the Program) in June 2018.

The main scope and participants in the implementation of the Program consist of all employees of Pingzhen Plant and Longgang Plant. Employees of Pingzhen Plant are separated by floor and employees of Longgang Plant are separated by segments. Each unit selects one employee as the energy saving ambassador to promote and implement energy-saving policies. At the end of the Program, the Company provides cash as rewards based on the performance. We hope through the implementation of the Program, our employees can form good energy usage habits and thus generate positive effects on the environment.

Goals

In addition to achieving the 1% requirement of the Bureau of Energy of the Ministry of Economic Affairs, we also aim to achieve 5% in reduction with the Program and adopt a principle of not exceeding electricity consumption from levels in the same period in the previous year. We also prepare to introduce the ISO 50001 energy management system in 2019. The estimated benefits before the execution are as follows:

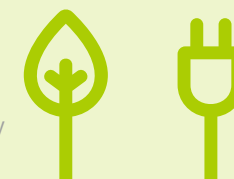
1. Facilitate energy saving and carbon emission reduction measures to improve electricity consumption habits and implement independent energy management mechanisms
2. Put efforts on energy saving for air-conditioning and lighting for two hours every day, which is estimated to save NT\$250,000 in electricity expenses

3. Effectively implement energy saving and carbon emission reduction measures in accordance with the government policies to reduce GHG emissions and air pollutants

4. Manage energy efficiency effectively with continuous efforts towards a green company

Monthly Themes and Results

★ Based on the conclusion of the Program, we reduced carbon emissions by 296,450kg and saved approximately NT\$915,349 in electricity expenses.



Month	Theme	Content	Result
June	Lighting systems	Cultivate employees' habits for switching off lights and effectively adjust and control lighting in the environment based on requirements	Conserve 58,765 kWh of electricity and save NT\$235 thousand each year; the average electricity conservation rate is 65%.
July	Public system—air-conditioning systems	Use the central monitoring and control system to monitor the status of all equipment in operation and start and stop time of the equipment; establish preventative maintenance plans to optimize air-conditioning efficiency	Conserve 57,365 kWh of electricity and save NT\$229 thousand each year; the average electricity conservation rate is 2.2%.
August	Office air-conditioning	Use the variable refrigerant volume (VRV) air-conditioning system to automatically adjust the refrigerant flow based on the heat load of the indoor office and encourage employees to set suitable air-conditioning temperature	Conserve 154,752 kWh of electricity and save NT\$619 thousand each year; each 1°C increase in temperature setting saves 6-9% of air-conditioning energy consumption.
September	Steam systems	Recycle condensed water from steam to the boiler supply water tank to reduce water processing fees and reduce boiler fuel cost	Recycle approximately 151,213kg and save NT\$239 thousand each year; each 6°C increase in temperature reduces 1% of fuel cost.
October	Green energy	Install solar photovoltaics at the Grape King Health and Vitality Power Center to provide lighting and energy use for lighting equipment in the Center	Conserve 6,663 kWh of electricity and save NT\$26 thousand each year; carbon emission is reduced by 3,691kg, which is equivalent to the effect of approximately 133,260 trees absorbing CO ₂ each year.
November (The overall results)	Electricity conservation results	The electricity conservation results show changes in people's electricity consumption habits and that independent energy management is feasible and effective. Take the office area as an example. The average daily electricity consumption prior to the Program was 148.4kWh and it decreased to 94kWh during the implementation period of the Program. Electricity consumption during summer peak consumption periods was once lowered to 88.9kWh. It shows that employees exhibit strong cohesion and they work well together.	The total electricity consumption rate during the Program was 14%, and we saved NT\$915,000.

Environmental Management

The impact of climate change on the global economy, society, and environment have become increasingly prominent. Paris Agreement was passed by the United Nations in 2015 and our carbon emission reduction targets were classified in the Agreement. In addition, topics related to green production and sustainability management has increased in recent years. Therefore, green management has become the key to a corporate's sustainable development. Green management, environmental protection, and sustainable development are Grape King Bio's social responsibility and commitment and we have established the environmental safety and health management policies, which clearly states our obligation to implement genuine environmental protection mechanisms.

Grape King Bio has established environmental protection tasks on this basis, including resources conservation, secondary energy recycling, process waste reduction, developing the information management system, and improving efficiency. We have formulated policies for the following five topics and implement actual measures to create effective green management: energy management, greenhouse gas management, water resources management, waste management, and improving product sustainability. We aim to adopt active sustainable development mechanisms and fulfill corporate social responsibilities to actively advance environmental protection tasks, improve environmental protection quality, pursue green management, and advance toward sustainable development goals.

Grape King Bio registered one environmental protection incident in 2018 with a fine totaled NT\$66,000. The incident involved the excess usage of toxic chemical substances in Zhongli Plant. Grape King Bio has rectified the procurement system and added the purchase request form for toxic chemical substances to implement stronger source management and the control procedures. We have also instructed units by education and training to obtain the approval of the environmental protection unit before purchasing toxic chemical substances to prevent excess usage.

Overall environmental protection investment plans and expenses in 2018:

2018			
Environmental Protection Management Item	Zhongli Plant Expenses	Pingzhen Plant Expenses	Sum
Air pollution management expenses	1,387,080	53,000	1,440,080
Wastewater management expenses	11,855,822	2,828,504	14,684,326
Waste management expenses	2,449,245	473,756	2,923,001
Noise management expenses	58,800	0	58,800
Total	15,750,947	3,355,260	19,106,207

We uphold the spirit of ISO 14001 environmental management system and implement PDCA management to continue advancing key tasks for five material topics. The implemented environmental protection measures are as follows:

1. Promote energy saving: Advance energy saving and carbon emission reduction at the office and improve employees' environmental protection and energy saving awareness
2. Reduction of greenhouse gas emissions: Install solar panels and adopt green energy
3. Strengthen pollution prevention: Adopt natural gas as the fuel for boilers and reduce environmental pollution; add air pollution prevention equipment and

improve the quality of the environment

4. Advance green procurement: Adopt products with the Green Mark, Energy Label, and Water Conservation Mark

5. Develop information management: Introduce the digital form system to reduce unnecessary waste of paper





6. Maintain the ISO 14000 management system: Adopt environmental management systems to optimize and review various environmental management operations and sustain long-term operations by continuous improvement

Grape King Bio's Biotech Research Institute Environmental Management Plans

The Biotech Research Institute is expected to be officially inaugurated in 2019. To create an intelligent green factory, we continue to adopt the ISO 14001 environmental management system and ISO 14064 greenhouse gas inventory management system and install multiple environmental management equipment such as steam condensation recovery equipment and boiler coal conservation devices. The Company shall also obtain the green building label and fully improve momentum for production and maximize the resource usage rate.



The key practices:

-  Wastewater reduction—We recycle intermediate water for lavatory water (non-human contact) and plant watering.
-  Air pollutant reduction—We adopt natural gas boilers and use clean energy as fuel.
-  Biotech Research Institute obtained the Green Building Labeling.
-  We adopt a remote monitoring and control system for the wastewater equipment that allows real-time monitoring and control of wastewater facilities on mobile phones and online to improve the processing efficiency of wastewater equipment.

6.1 Energy and Greenhouse Gas Management

Our main energy sources are electricity and heavy oil. Electric power is mainly used in public system equipment and production machines, and the heavy oil is used as fuel for boilers in the plants. We plan to replace heavy oil fuel with natural gas in 2019. Among direct energy sources, the use of heavy oil increased to 940 cubic meters from 810 cubic meters in 2017. The natural gas consumption in 2018 was 102,748 cubic meters, which decreased from 109,186 cubic meters in 2017. Among indirect energy consumption, the electricity usage volume in 2018 totaled 18,383 thousand kWh, which was a decrease of 631 thousand kWh compared to the volume in 2017.

Grape King Bio seeks to increase the energy efficiency of the system equipment and continues to refurbish equipment with high energy consumption. We gradually adopt energy saving measures for electricity consumption and

establish control methods for the four main systems in the plants. We aim to expand and promote the concept of energy management in the Company with practical and effective energy saving results. The contribution of each employee allows energy saving and carbon emission reduction tasks to be implemented in daily operations.

6.1.1 Energy Management Measures

Grape King Bio adopts four major energy management measures to reduce the impact on the environment. They are listed in the table below:

1. Operating mode adjustments and improvement: We mainly control energy usage in our work environment and teach employees to develop energy saving and carbon emission reduction habits.
2. Equipment replacement, update, and maintenance: We mainly replace equipment which has poor energy efficiency and regularly maintain such equipment to optimize the function and efficiency of the equipment.
3. System construction and upgrade: We establish two main systems including the boiler steam heat recovery system and the central monitoring and control system. The former reduces and recycles energy resources, and the latter facilitates monitoring and control of energy consumption.
4. Installation of solar power generating system: The installation of solar photovoltaics at the Health and Vitality Power Center was completed in 2018 to generate lighting power for the entire building. The annual electricity generation is approximately 6,663 kWh, which accounts for 9% of the total energy consumption of the Center. The system has helped to reduce CO2 emissions by approximately 3,691kg/year.

Item	Four major control mechanisms
Electrical System	<ul style="list-style-type: none"> • Use Taiwan Power Company's high-voltage users' portal website to analyze the proportion of usage in peak and off-peak periods, review the contracted capacity and fee calculation method to reduce excess waste • Replace existing panels and cabling to improve power supply quality, and add electricity meters to panels to monitor and control power consumption data.
Air-Conditioning	<ul style="list-style-type: none"> • Conduct regular equipment maintenance cycles to measure the difference before and after maintenance to control the equipment performance • Conduct regular measurement of the conductivity of the cooling tower to reduce the risks of calcification and improve the heat dissipation capacity • Adjust the chiller output temperature and number of chillers switched on based on the dry-bulb and wet-bulb temperature
Lighting Systems	<ul style="list-style-type: none"> • Replace T5 lighting equipment in the QA Office in Pingzhen Plant with high-performance LED lighting • Adjust the operating time of lighting in areas with natural light based on the environment during day time
Others	We only switch on parts of the lighting during nighttime to reduce excessive consumption of electricity.

6.1.2 Energy Usage Status

Grape King Bio's head office (Pingzhen Plant) and Longgang Plant in Zhongli are included in the statistics in 2018 and the consumption of heavy oil, natural gas, and electricity are as follows:

Item		Unit	2016	2017	2018
Direct Energy	Fuel oil (heavy oil) consumption	Kiloliter	991	810	940
	Energy consumption	GJ	39,833	32,558	37,783
	Natural gas consumption	cubic meters (m ³)	36,040	109,186	102,748
	Energy consumption	GJ	1,358	4,114	3,871
Indirect Energy	Electricity consumption	thousand kWh	13,738	19,014	18,383
	Energy consumption	GJ	49,468	68,465	66,193
Total energy consumption		GJ	90,659	105,137	107,847

Energy intensity

We use our weight of production as the basis for calculating energy intensity, and we use kg as the unit for calculating energy consumed for the weight of production at Pingzhen and Zhongli Plants. The energy intensity between 2016 and 2018 are displayed as follows. The weight of production in 2018 was higher than in 2017, but the energy intensity decreased compared to 2017, indicating an improvement in energy consumption efficiency.

Item	Unit	2016	2017	2018
Total energy consumption	GJ	90,659	105,137	107,847
Production weight	Kg	4,271,669	3,445,563	4,639,007
Energy intensity	GJ/Kg	0.0212	0.0305	0.0232

Carbon emissions

Item	Unit	2016	2017	2018
Fuel oil (heavy oil)	Kg	2,923,450	2,389,500	2,773,000
Natural gas	Kg	75,324	228,199	214,743
Electricity	Kg	6,054,510	12,130,932	11,728,354
Total emissions	Kg	9,053,284	14,748,631	14,716,097

6.1.3 Air Pollution Prevention

Grape King Bio processes and improves the quality of the environment with the use of air pollution prevention equipment. The equipment in the wastewater treatment plant in Zhongli Pingzhen Plant was installed in 2018. We also regularly implement various maintenance and repairs for environmental protection equipment in Pingzhen Plant to ensure the functionality of the equipment.

With regard to boilers, Grape King Bio will gradually adopt natural gas as fuel and we expect to complete the conversion in 2019. In addition, we will also regularly implement various maintenance and repairs for environmental protection equipment to ensure the functionality and reduce the impact on the environment. We hope our efforts can ultimately achieve common growth and prosperity with neighboring areas.

Zhongli Plant Air Pollutant Inspection Value				
Inspect Item	Standard Value	Boiler (E001)		
		2016	2017	2018
Particulate contaminants	<100mg/ Nm ³	73	50	47
Sulfur dioxide	<300ppm	167	174	190
Nitrogen oxides	<400ppm	189	185	157
Inspect Item	Standard Value	Boiler (E002)		
		2016	2017	2018
Particulate contaminants	<100mg/ Nm ³	70	63	78
Sulfur dioxide	<300ppm	174	186	190
Nitrogen oxides	<400ppm	169	159	137

6.2 Water Resource Management

As a food producer, Grape King Bio places great emphasis on the management of water quality inspection and control as well as wastewater discharge. To ensure that the water quality meets the standard before it can be used as raw materials for healthy food, all pure water used in the manufacturing process must undergo complex treatment procedures to remove the impurities and harmful substances in water before the routine quality inspection. The wastewater produced during production is being monitored in order to implement the wastewater treatment and ensure that the wastewater discharge meets the requirements of the laws and regulations. Although our water usage intensity has continued to decrease, the water consumption and wastewater discharge volume still continue to increase. Therefore, we have considered adopting water conservation equipment and expanding wastewater treatment equipment. We also seek to increase the water recycling rate to effectively reduce water consumption and wastewater discharge volume.

Year	Total Water Consumption (Ton)	Water Consumption Intensity (ton/thousand NTD in revenue)
2016	155,577	0.1690
2017	160,144	0.0171
2018	246,030	0.2679

6.2.1 Pure Water Production and Related Inspection

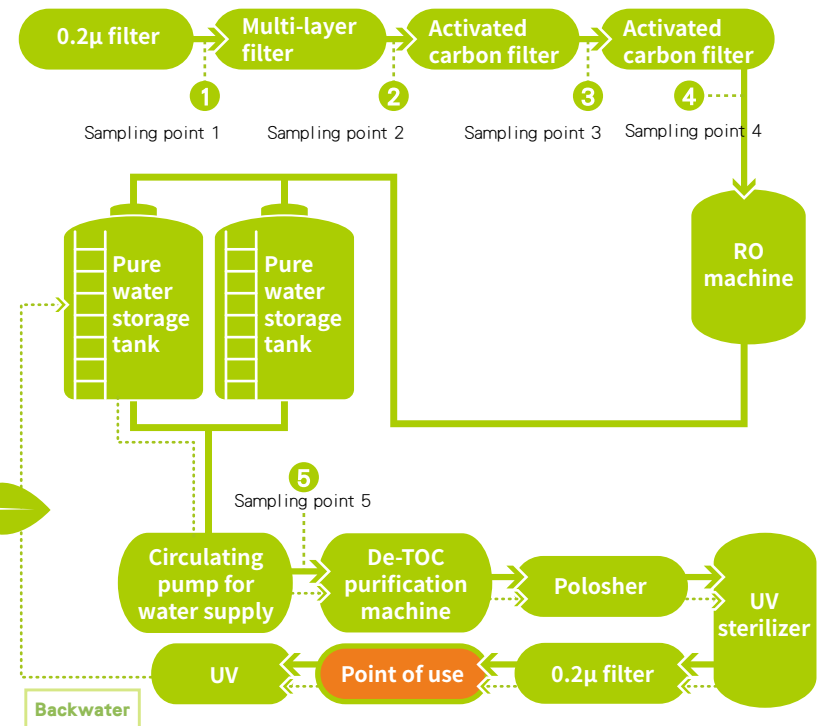
Grape King Bio invested NT\$349,000 in outsourced water quality inspection in 2018, which accounted for 1.2% of the total food safety control and management expenses of the year. In addition to appointing external institutions to regularly inspect the water quality, Grape King Bio also implemented internal monitoring and inspected a total of 765 cases this year. A specialist from the QA Department regularly takes samples at water usage sites and performs 21 inspections in accordance with regulations. We added a total organic carbon analyzer in 2018 and trained inspection specialists to monitor the quality of water used for drug production in the hope of providing consumers with reliable products.



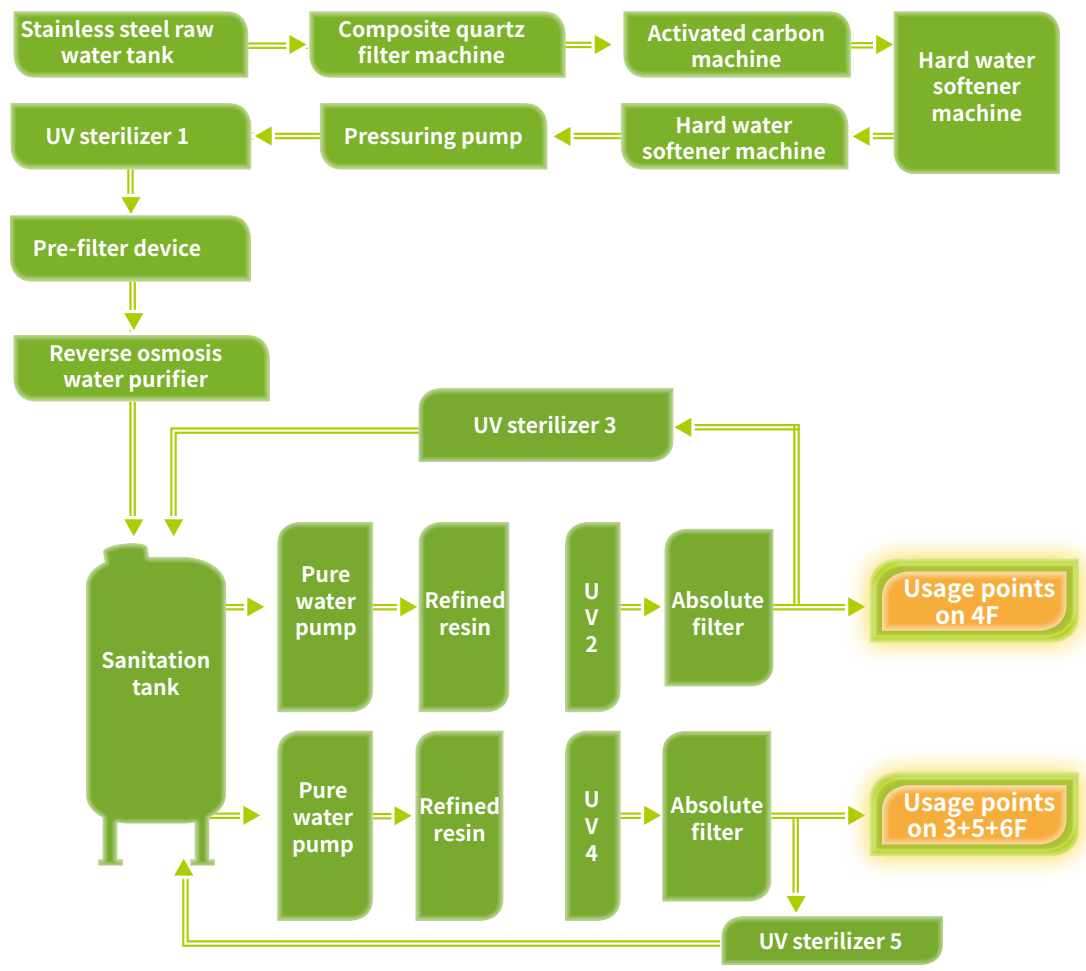
Pure Water Production Procedures

- (1) Use quartz filter machines to remove impurities from water
- (2) Use water softeners to remove calcium and magnesium ions
- (3) Use active carbon to remove odor and coloring from water
- (4) At the final step, use Reverse Osmosis (RO), TOC purifier, and UV anti-bacteria light to remove heavy metal, bacteria, harmful substances, and dead bacteria from the water to meet requirements for pure water

Zhongli Plant



Pingzhen Plant



Water Resource Inspection

Water quality inspection(water used for drug production)

Internal Inspection Item Description			
Internal Inspection	Inspection Interval	Inspect Item	
Raw water (Sampling point 1)	One inspection every 2 weeks	11 items: pH value, residual chlorine, total hardness, total solids, conductivity, readily oxidizable substances chlorides, sulfates, ammonia, total plate count, Escherichia coli	
Water quality system points (Sampling points 2-7)	One inspection every 2 weeks	Sampling point 2	Turbidity
		Sampling point 3	Total hardness
		Sampling point 4	3 items: Residual chlorine, total plate count, Escherichia coli
		Sampling point 5	10 items: pH value, turbidity, total hardness, total solids, conductivity, readily oxidizable substances, sulfates, ammonia, total plate count, Escherichia coli
		Sampling point 6	9 items: pH value, turbidity, total solids, conductivity, readily oxidizable substances, chlorides, sulfates, ammonia, total plate count, Escherichia coli
		Sampling point 7	3 items: total organic carbon, total plate count, Escherichia coli
Pure water (usage points 1-6)	One inspection every 2 weeks	13 items: External appearance, pH value, residual chlorine, turbidity, total dissolved solids, total hardness, chloride, nitrate nitrogen, nitrite nitrogen, ammoniacal nitrogen, total plate count, Escherichia coli, coliform bacteria	

Water quality inspection (water used for food production)

External Inspection Item Description		
External Inspection	Inspection Interval	Inspect Item
Raw water	One inspection each year	External inspection is performed for 68 inspection items in accordance with the drinking water quality standards.

Internal Inspection Item Description		
Internal Inspection	Inspection Interval	Inspect Item
Raw water (Sampling point 1)	One inspection every 2 weeks	9 items: pH value, turbidity, residual chlorine, total hardness, total solids, conductivity, chloride, total plate count, Escherichia coli
Water quality system points (Sampling points 2-5)	One inspection every 2 weeks	Sampling point 2 Turbidity
		Sampling point 3 Residual chlorine
		Sampling point 4 Residual chlorine
		Sampling point 5 7 items: pH value, turbidity, total hardness, total solids, conductivity, total plate count, Escherichia coli
Drinking water	One inspection every 2 weeks	13 items: External appearance, pH value, residual chlorine, turbidity, total dissolved solids, total hardness, chloride, nitrate nitrogen, nitrite nitrogen, ammoniacal nitrogen, total plate count, Escherichia coli, coliform bacteria

6.2.2 Wastewater and Sewage Discharge Management

Grape King Bio has also established comprehensive operating procedures for wastewater discharge. Discharged wastewater is processed and the water quality is inspected each day to ensure that the water quality meets government regulations. Therefore, there were no serious incidents occurred in 2018. We have implemented the following measures for managing wastewater:

1. Strict compliance with regulations and an increase in additional usage:

In addition to regulatory compliance for water pollution prevention management, we also conducted research for added value.

- (1) Regulatory compliance: We appoint a professional company to operate our wastewater treatment plant to process wastewater and sewage to meet legal requirements for discharge before discharge. We continue to strengthen wastewater and sewage management and requires the wastewater treatment plant to inspect the water quality each day and carry out water quality inspections at a frequency higher than legal requirements to ensure that we meet environmental protection regulations for discharged water.
- (2) Increasing added value: We evaluate the added value of byproducts and conduct an assessment of applications in cleaning products and carry out research on fertilizer experiments.
- (3) Water conservation improvement during production: Water conservation designs are adopted for new machinery and equipment in the planning process to reduce the consumption of water resources and wastewater discharge.
- (4) Reuse of intermediate water: Water that has been used in the plant are used in non-production processes and water usage that does not come in contact with personnel.

2. Optimization and improvement of wastewater ancillary equipment:

Grape King Bio replaces old equipment and pipelines and adopts preventive maintenance to ensure the functionality of wastewater equipment. We focus on the management of the quality of discharge water and evaluate the impact of odor and noise from the wastewater treatment plant. We have also planned for odor processing equipment and added noise prevention equipment in order to improve the overall quality of the environment.

3. Construction of the wastewater treatment plant

We apply biodegradation and chemical processing for waste liquids from production and only discharge after regulatory standards were met. Hazardous waste that cannot be discharged is recycled and stored together for periodic processing by commissioned parties.

Information on wastewater discharge in the most recent three years		
Year	Total Wastewater and Sewage Discharge (Ton)	Wastewater and Sewage Discharge Intensity (ton/thousand NTD in revenue)
2016	116,487	0.0127
2017	125,419	0.0134
2018	147,659	0.0161



Wastewater quality inspection

Zhongli Plant Effluent Inspection Results

Inspect item	Standard Value	2016 (Jan-Jun)	2016 (Jul-Dec)	2017 (Jan-Jun)	2017 (Jul-Dec)	2018V (Jan-Jun)	2018 (Jul-Dec)
PH (acidic and basic value)	6~9	6.9	8.2	7.9	8.3	8.3	8.3
COD (chemical oxygen demand)	<100	57	13.4	33	39	24.8	26.7
BOD (biochemical oxygen demand)	<30	4	6	13	4.1	3.3	2.4
True color chromaticity	<550	46	<25	41	31	27	26
SS (suspended solids)	<30	10.8	4.6	8.3	12.5	2.9	11.9
Water temperature	<38°C (May-Sep) <35°C (Oct-Apr)	34.8	23.5	30.9	24.5	31.1	26.7

Pingzhen Plant Effluent Inspection Results

Inspect Item	Standard Value	2017 (Jan-Jun)	2017 (Jul-Dec)	2018(Jan-Jun)	2018 (Jul-Dec)
PH (acidic and basic value)	6~9	7.2	7.3	7.6	7.9
COD (chemical oxygen demand)	<100	25	24.9	30.3	24.7
BOD (biochemical oxygen demand)	<30	7.1	6.8	8.2	6.8
True color chromaticity	<550	ND	<0.5	<10	27
SS (suspended solids)	<30	2.9	9.9	7.3	7.3
Water temperature	<38°C (May-Sep) <35°C (Oct-Apr)	25.4	28.6	27.4	29.4
Oil/fat	<10	0.8	15	<0.5	1.2
Escherichia coli group	<200000	980	<10	130	4,600

Replacement of wastewater equipment and continuous improvement

Factory	Zhongli Plant		Pingzhen Plant	
	Water Consumption (Ton)	Water Discharge (Ton)	Water Consumption (Ton)	Water Discharge (Ton)
2016	155,577	116,487	/	/
2017	138,046	115,977	22,098.4	9,441.6
2018	221,378	135,924	24,652	11,735

Note: Pingzhen Plant was inaugurated in 2017



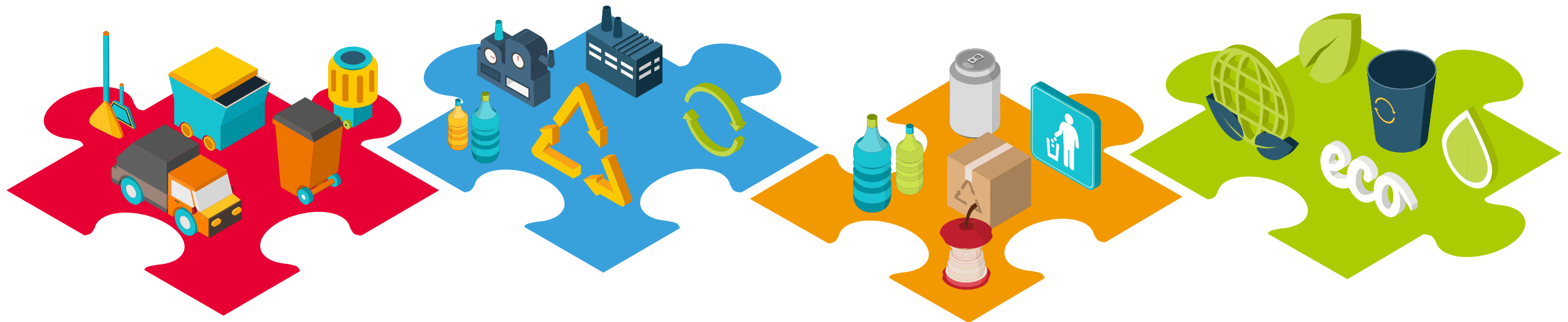
6.3 Waste Management

The Company implements classification, collection, storage, management, and disposal of waste. Grape King Bio also removes, processes, and reuses waste with the following management approaches in accordance with related environmental protection regulations:

1. Our plants have adopted industrial waste disposal plans based on related environmental protection regulations and implemented waste management based on regulations.
2. Our plants have established waste management procedures in accordance with the ISO 14001 environmental management system requirements and implemented waste management pursuant to the procedures.
3. Waste disposal and processing contracts have been signed, and the Company appoints public and private waste disposal and processing institutions approved by the regulators.
4. Waste disposal and processing are processed through online transmission procedures in accordance with regulations, and the final disposal of the waste is tracked and verified based on the specified deadline.
5. The Company conducts industrial waste disposal audit tasks from time to time to verify the destination of disposed waste and the results of the final disposal.
6. The Company reduces waste and adopts source management to evaluate and design products without excess packaging to reduce packaging materials.

Grape King Bio's waste disposal status in 2018 is as follows

Waste	2016	2017	2018
General industrial waste	227.65	208.4	257.01
Hazardous industrial waste	2.07	1.97	6.61
Recycled resources	55.64	50.8	80.324
Recycling rate	20%	20%	25%



6.4 Green Products

We place great emphasis on developing a sustainable supply chain. Since we use large quantities of food packaging, our procurement of lightweight, small-size, recyclable, and reusable packaging materials can reduce the consumption of packing materials as well as the environmental impact of abandoned products. In an attempt to alleviate the harm to the environment, Grape King Bio has long been committed to lightweight packing materials and eco-friendly material design.



● Lightweight glass bottles

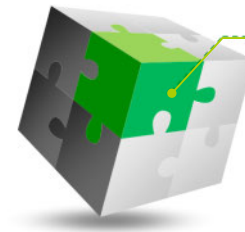
Grape King Bio's Comebest Energy Drink has been bottled in a lightweight container with uniform thickness and attractive packaging. The lightweight glass bottle is about half as thick as a traditional glass bottle, and the packaging safety is maintained with the uniformity of the bottles. The use of packing materials for lightweight bottles can not only significantly reduce the usage of glass but also lower the energy required for shipment.

● Adoption of aluminum cans

Grape King Bio uses aluminum cans as a packaging material of our PowerBOMB Energy Drink since aluminum is a 100% recyclable raw material which can be recycled and reproduced multiple times. Grape King Bio will continue to adopt recyclable aluminum as packaging to reduce the environmental impact of resource excavation.

● Adoption of materials that meet environmental responsibilities

Our aluminum foil packages are made from green pulp raw materials from the woods of the forest area certified by FSC™. In 2018, this line of products with aluminum foil packages fully used green pulp raw materials from the woods of the forest area certified by FSC™.



● Green Procurement

To produce aluminum foil package series, Grape King Bio has used 100% green paper pulp purchased from the woodlands certified by FSC.



Grape King Bio Combibloc series uses aluminum foil boxes that are 100% made from green pulp raw materials from the woods of the FSC certified forest area. Protect the Earth, be friendly to the environment, and love the forest. These easy steps start with you and me!



2018
Corporate Social
Responsibility Report

Preface

1 Ethical Corporate
Governance

2 Product
Liability

3 Innovation
and R&D

4 Happy
Workplace

5 Social
Prosperity

6 Green
Environment

Appendix



Appendix

Assurance Opinion Statement



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English Translation of a Report Originally Issued in Chinese

Assurance Report of Independent Auditors

To GRAPE KING BIO LTD.

1. Scope

We have been engaged by GRAPE KING BIO LTD. ("GRAPE KING") to perform a limited assurance engagement in relation to and report on selected sustainability performance indicators included in GRAPE KING's 2018 Corporate Social Responsibility Report ("the Report").

Regarding the sustainability performance indicators selected by GRAPE KING and their applicable criteria, please refer to appendix A.

Management responsibility

GRAPE KING is responsible for the preparation of 2018 corporate social responsibility report in accordance with adequate criteria, including referencing to Global Reporting Initiatives ("GRI") GRI Standards, and for the design, execution and maintenance of internal controls in regard with report preparation to support the collection and presentation of the Report.

Independent Auditor's Responsibility

Our responsibility is to plan and perform limited assurance engagement in accordance with the SAES NO. 1 Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by Taiwan Accounting Research and Development Foundation.

2. Assurance

The procedures performed in limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement so that the level of assurance is substantially lower than reasonable assurance engagement. While we considered the effectiveness of GRAPE KING's internal controls when determining the nature and extent of procedures, our review was not designed to provide assurance on internal controls.

To conclude for limited assurance, our procedures performed included:

- Interviewing with GRAPE KING's management and personnel to understand the GRAPE KING's implementation of overall corporate social responsibility and reporting process;



- Understanding the main stakeholders of GRAPE KING and their expectations and needs as well as interaction protocols by interview or examination of documentation and how GRAPE KING responded to those expectations and needs;
- Performing analytical procedures on selected sustainability performance indicators; gathering and checking other supporting documentation and management information obtained; testing on sample basis if necessary;
- Reading GRAPE KING's corporate social responsibility report to ensure the implementation of overall corporate social responsibility and reporting process is consistent with our understanding.

3. Limitations

Non-financial information contained within corporate responsibility reports are subject to measurement uncertainties. The selection of different measurement techniques can result in materially different measurement. Also assurance engagements are based on selective testing of information being examined, and it is not possible to detect all of the existing material misstatements whether resulting from fraud or error.

4. Quality and Independence

We are in conformity with Taiwan SAS No. 46 "Quality Control for Public Accounting Firms" to establish and maintain a sound system of quality control, including code of professional ethics, professional standards and those written policies and procedures in applicable regulations. We are also in conformity with related independence and other ethics requirements in Taiwan's Norm of Professional Ethics, which basic principles are integrity, objectivity, professional competence and due care and professional behavior.

5. Conclusion

Based on our procedures and obtained evidence, nothing has come to our attention that causes us to believe that any material modifications or adjustments should be made to the selected sustainability indicators in accordance with applicable criteria.

Ernst & Young
March 15, 2019
Taipei, Taiwan, Republic of China

Notice to Readers

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



English Translation of a Report Originally Issued in Chinese

Appendix A:

Number	Page No.	Article title	Remarks	Applicable benchmarking	Other Information
1	42	Raw Material Management	Grape King have two international-level inspection rooms for examining items, including tests for residuals of 373 types of pesticides, 9 types of plasticizers, 5 types of microbes, and 4 types of heavy metals, etc.	Company information	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.A.
2	42	Raw Material Management	Laboratory is a certified TAF laboratory, and it operates in accordance with the ISO/IEC 17025 standards. In 2018, 92% of the employees in the Laboratory have obtained ISO/IEC 17025 training certificates, and 32% of the employees in the Laboratory have obtained internal laboratory audit training certificates.	Company information	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.A.
3	37	Regulatory Compliance	In 2018, a health product advertisement that violated the Health Food Control Act and one food advertisement that violated the Act Governing Food Safety and Sanitation.	Company information	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.B.



4	105	Green Products	In 2018, this line of products with aluminum foil packages fully used green pulp raw materials from the woods of the forest area certified by FSC.	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.C.
5	52	Product Accreditation and Inspections	Grape King Bio owns five dosage forms of production lines certified with 100% accomplishment rate. The production output produced by certified production lines is 100%.	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.D
6	45	Supply Chain Management	202 Raw material suppliers were audited in 2018 and the audit percentage reached 100%.	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.E
7	49	Food Safety Responsibilities	Grape King Bio has built an ERP system and conducts all voluntary traceability management based on product identification and our traceability management procedures.	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.F
8	52	Product Accreditation and Inspections	In 2018, Grape King Bio invested NT\$29 million in food safety-related controls, the expenses included inspection fees, manpower, consumables, instrument depreciation, certification fees, and other expenses, which accounted for about 0.32% of net operating revenue in 2018.	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1.G

Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies

Requirement	Corresponding Chapters	Page No.	Remarks
(a) The evaluation and improvement regarding the company's personnel, work environment, hygiene management of facilities and quality control system to improve food sanitation, safety and quality, as well as the significant product categories and the percentage affected.	2.1.2 Incoming Raw Materials Inspection	42	Our Laboratory is a certified TAF laboratory, and it operates in accordance with the ISO/IEC 17025 standards. Until 2018, 92% of the employees in the Laboratory have obtained ISO/IEC 17025 training certificates, and 32% of the employees in the Laboratory have obtained internal audit training certificates. All employees in the Laboratory are expected to obtain ISO/IEC 17025 training certification by 2019. We have inspection items including residuals of 373 types of pesticides, 9 types of plasticizers, 5 types of microbes, and 4 types of heavy metals, etc.
(b) The applicable laws relating to the management of food safety and sanitation which the listed company shall observe, as well as the types and number of incidents of violation by the listed company against the aforesaid laws.	1.4 Regulatory Compliance	37	We received one case regarding a health product advertisement that violated the Health Food Control Act and one food advertisement that violated the Act Governing Food Safety and Sanitation in 2018.
(c) The percentage of the listed company's purchased volume in accordance with internationally recognized responsible production standards.	6.4 Green Products	105	In 2018, this line of products with aluminum foil packages fully used green pulp raw materials from the woods of the forest area certified by FSCTM.
(d) The percentage of the production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards.	2.4.1 Product Accreditation and Inspections	52	Grape King Bio owns five dosage forms of production lines certified with 100% accomplishment rate. The production output produced by certified production lines is 100%, which guarantees our quality of production.
(e) The number and percentage of suppliers audited by the listed company, and the audit items and results.	2.2 Supply Chain Management	45	202 Raw material suppliers were audited in 2018 and the audit percentage reached 100%.
(f) The product trace and track management conducted by the listed company voluntarily or according to the applicable laws, and the percentage of such relevant products to the whole products.	2.3.3 Traceability and Management	49	Grape King Bio has built an ERP system and conducts all voluntary traceability management based on product identification and our traceability management procedures.
(g) The food safety laboratories established by the listed company voluntarily or according to the applicable laws, testing items, testing results, relevant expenses and the percentage of such expenses to the net revenue.	2.4.2 Certified Laboratory Testing	52	In 2018, Grape King Bio invested NT\$ 29,310,628 in food safety-related controls, the expenses included inspection fees, manpower, consumables, instrument depreciation, certification fees, and other expenses, which accounted for about 0.32% of our net revenue in 2018.

GRI Content Index (Core) General Disclosure

GRI Standard	Disclosure	Corresponding Chapter	Page Number(s)	Remarks
GRI 101: Foundation 2016				
GRI 102:General Disclosures 2016				
Organizational profile				
102-1	Name of the organization	About the Report	2	
102-2	Activities, brands, products, and services	1.1 About Grape King Bio	23	
102-3	Location of headquarters	1.1.3 Services and Business Locations	25	
102-4	Location of operations	1.1.3 Services and Business Locations	26	
102-5	Ownership and legal form	1.1 About Grape King Bio	23	
102-6	Markets served	1.1.3 Services and Business Locations	26	
102-7	Scale of the organization	1.1.3 Services and Business Locations 1.2.3 Financial Performance 4.1 Talent Recruitment and Structure	26 34 69	
102-8	Information on employees and other workers	4.1 Talent Recruitment and Structure	69	
102-9	Supply chain	2.2 Supply Chain Management	44	
102-10	Significant changes to the organization and its supply chain		No significant changes has occurred	
102-11	Precautionary Principle or approach	1.3 Risk Management	34	
102-12	External initiatives		Grape King Bio did not participated in external initiatives	
102-13	Membership of associations	1.5 Associations	38	

GRI Standard	Disclosure	Corresponding Chapter	Page Number(s)	Remarks
Strategy				
102-14	Statement from senior decision-maker	Chairman's Message	4	
102-15	Key impacts, risks, and opportunities	1.3 Risk Management	35	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	1.2.2 Ethical Management and Supervision Mechanisms	31	
102-17	Mechanisms for advice and concerns about ethics	1.2.1 Corporate Governance Unit and Implementation 1.2.2 Ethical Management and Supervision Mechanisms	28 31	
Governance				
102-18	Governance structure	Corporate Social Responsibilities Management Framework 1.2.1 Corporate Governance Unit and Implementation	8 28	
102-19	Delegating authority	Corporate Social Responsibilities Management Framework	8	
Stakeholder engagement				
102-40	List of stakeholder groups	Communication with Stakeholders and Analysis of Material Topics	15	
102-41	Collective bargaining agreements			Grape King Bio did not set up labor union and has no group agreement
102-42	Identifying and selecting stakeholders	Communication with Stakeholders and Analysis of Material Topics	15	
102-43	Approach to stakeholder engagement	Communication with Stakeholders and Analysis of Material Topics	16	
102-44	Key topics and concerns raised	Communication with Stakeholders and Analysis of Material Topics	16	

GRI Standard	Disclosure	Corresponding Chapter	Page Number(s)	Remarks
Reporting practice				
102-45	Entities included in the consolidated financial statements	1.2.3 Financial Performance	33	
102-46	Defining report content and topic Boundaries	Material Topics related to Grape King Bio's core values	113	
102-47	List of material topics	Communication with Stakeholders and Analysis of Material Topics	19	
102-48	Restatements of information	CH5 Social Prosperity	88	For the consistency with the scope of financial information disclosure, the disclosure data of 2016 and 2017 were adjusted
102-49	Changes in reporting		There is no significant difference in major topics and boundaries	
102-50	Reporting period	About the Report	2	
102-51	Date of most recent report	About the Report	2	
102-52	Reporting cycle	About the Report	2	
102-53	Contact point for questions regarding the report	About the Report	2	
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	2	
102-55	GRI content index	GRI Content Index (Core)	110	
102-56	External assurance	About the Report Independent Assurance Opinion Statement	2 107	

Disclosure of 10 Material Topics

GRI Standard	Disclosure	Corresponding Chapter	Page Number(s)	Remarks
Material Topic				
1. Food safety				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	Communication with Stakeholders and Analysis of Material Topic Material Topics related to Grape King Bio's core values	20-21 113
	103-2	The management approach and its components	2.3 Food Safety Responsibilities	46
The material topic is not covered by an existing GRI Standard			2.1 Raw Material Management 2.2 Supply Chain Management 2.3 Food Safety Responsibilities 2.4 Accreditation and Professional Inspections	42 45 46 51
2. Ethics and integrity				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	Communication with Stakeholders and Analysis of Material Topic Material Topics related to Grape King Bio's core values	20-21 113
	103-2	The management approach and its components	1.2.2 Ethical Management and Supervision Mechanisms	31
The material topic is not covered by an existing GRI Standard			1.2.2 Ethical Management and Supervision Mechanisms	31
3. Innovation and R&D				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	Communication with Stakeholders and Analysis of Material Topic Material Topics related to Grape King Bio's core values	20-21 113
	103-2	The management approach and its components	CH3 Innovation and R&D	55
The material topic is not covered by an existing GRI Standard			3.1 Materials and R&D Capacity for Continuous Growth 3.2 Development of Diverse Products and Customized Services	56 57

GRI Standard	Disclosure	Corresponding Chapter	Page Number(s)	Remarks
4. Talent recruitment and retention				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	20-21	Communication with Stakeholders and Analysis of Material Topic
	103-2	The management approach and its components	113	Material Topics related to Grape King
			66	Bio's core values
		CH4 Happy Workplace		
GRI 401 : Employment 2016	401-1	<ul style="list-style-type: none"> New employee hires and employee turnover 		
GRI 404 : Training and Education 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1 Talent Recruitment and Structure	68
GRI 405 : Diversity and Equal Opportunity 2016	401-3	Parental leave	4.2 Talent Cultivation	72
	404-1	Average hours of training per year per employee	4.3 Employee Benefits and Care	76
	405-2	Ratio of basic salary and remuneration of women to men	4.4 Employee Healthcare	78
5. Legal compliance				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	20-21	Communication with Stakeholders and Analysis of Material Topic
	103-2	The management approach and its components	113	Material Topics related to Grape King
			36	Bio's core values
		1.4 Regulatory Compliance		
GRI 419 : Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	1.4 Regulatory Compliance	36
6. Customer service				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	20-21	Communication with Stakeholders and Analysis of Material Topic
	103-2	The management approach and its components	113	Material Topics related to Grape King
			61	Bio's core values
		3.4 Customer Services		
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.4.3 Protection of Customers Privacy and Interests	61

GRI Standard	Disclosure	Corresponding Chapter	Page Number(s)	Remarks
7. Financial performance				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	20-21	Communication with Stakeholders and Analysis of Material Topic
	103-2	The management approach and its components	113	Material Topics related to Grape King
			33	Bio's core values
		1.2.3 Financial Performance		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	1.2.3 Financial Performance	
	201-3	Defined benefit plan obligations and other retirement plans	4.3 Employee Benefits and Care	33
	201-4	Financial assistance received from government	We did not receive any assistance from the government	76
8. Corporate Governance				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	20-21	Communication with Stakeholders and Analysis of Material Topic
	103-2	The management approach and its components	113	Material Topics related to Grape King
			27	Bio's core values
		1.2 Corporate Governance and Operations		
		1.2.1 Corporate Governance Unit and Implementation	28	
9. Risk Management				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	20-21	Communication with Stakeholders and Analysis of Material Topic
	103-2	The management approach and its components	113	Material Topics related to Grape King
			34	Bio's core values
		1.3 Risk Management		
		1.3 Risk Management	34	
10. Occupational safety				
GRI 103 : Management Approach	103-3	Explanation of the material topic and its Boundary	20-21	Communication with Stakeholders and Analysis of Material Topic
	103-2	The management approach and its components	113	Material Topics related to Grape King
			81	Bio's core values
		4.5 Occupational Safety		
GRI 403 : Occupational Health and Safety 2018	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	4.5 Occupational Safety	81

Material Topics related to Grape King Bio's core values

● Boundary regarding the impacts of the specific topic

Material Topic	Internal		External	
	Grape King Bio	Employee	Upstream	Downstream
			Supplier	Customer
Food safety	●	●	●	●
Ethics and integrity	●	●		●
Innovation and R&D	●	●		●
Talent recruitment and retention	●	●		
Legal compliance	●		●	●
Customer service	●			●
Financial performance	●	●		
Corporate Governance	●			●
Risk management	●		●	●
Occupational safety and health	●	●		



GRAPE KING BIO

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